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FAR EASTERN ECONOMIC REVIEW

Vol. XV Hongkong, October 8, 1953. No. 15

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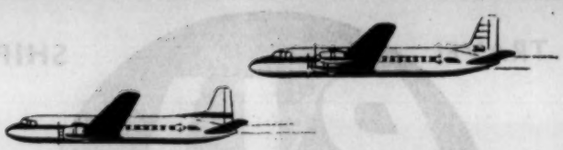

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FAR EASTERN
ECONOMIC REVIEW

Vol. XV **Hongkong, October 8, 1953** **No. 15**

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PEKING'S HOPES AND PLANS FOR THE FUTURE

The lights and shadows of the Chinese scene are now on a scale corresponding to the immense size of the country and the mighty host who inhabit it, estimated now to number over 500 million. The fourth anniversary of the People's Government was an occasion to extol the virtues and achievements of the regime rather than to strike an objective balance. But both pride and enthusiasm seemed somewhat forced, except perhaps in the case of the transformation of the Army from the ragtag and bobtail of the Tuchuns. There have been great achievements in many fields and in many parts of the country that had hitherto been completely ignored. The immense conservancy, irrigation and reclamation works would alone have made this regime notable in the history of the race if it never accomplished anything more.

The Communists do not make quite so much of the work of General Fu Tso-yi's National Commission because it owes nothing to them except the driving force and the will to have these things done at last. The work itself was that of the engineers, administrators, and millions of peasants, mobilised for these jobs. The great Huai and Yungting river dams are heedless of Marxism. Land reforms and the five-anti campaigns were largely political in design. Neither the land nor the factories have yet fully recovered from the shock and disruption they occasioned. And when we are told that in spite of all collectivisation and mechanization, agricultural crops in the Soviet Union are no better than they were in 1928, new doubts began to assail those familiar with the tremendous problems which land reforms created while failing to solve the real need of greater production.

Nevertheless the multi-millions of China are on the march to new destinies. The ready smiles and swift response to humour which was one of the best loved virtues of this great people are disappearing from a grim and determined scene. The people are shedding many illusions as they plod along the iron path laid down for them, but whatever else may happen there can be no turning back of the pages on which history has already written. That is not to say that anything accomplished by revolution has the same durability as the enactments of reason in the piping times of peace abroad and harmony at home. The worst thing of all at present is the atmosphere of fear and suspicion, and the transformation of a vast community, free almost to the verge of anarchy in all but the hoary bonds of the family system, into a nation of spies. There is no existence quite so intolerable as that which calls for a constant turning of the head to look uneasily over the shoulder.

Even so, there is a vast and widespread activity unprecedented in any earlier age. Never was the natural industry of the people mobilised on so enormous a scale. The 140 major projects which the Soviet authorities have undertaken to build, equip and manage in the North-east satisfy the dream of tall chimneys and at the same time call into question a hard-won and jealously-prized independence and integrity. These joint Sino-Soviet affairs on so vast a scale are much too reminiscent of the bases of earlier schemes between Tsarist Russia and Imperial Peking, and of the socalled joint Corporations set up recently in Sinkiang. But even if many of these projects call for little more than the return of equipment and machinery which the Red Army removed from the sites in 1945, they are nevertheless on a very big scale indeed, and will ensure that Soviet Manchoukuo will be just as highly favoured as was Japanese Manchoukuo.

Other construction projects include several new railway lines, 5000 kilometres of motor roads, and new buildings of various kinds amounting in sum to 27 million square metres, or more than the total

floor space in the whole of the capital. This year, and for some years to come, energies will be concentrated on heavy industry, primarily for national defence. The Anshan steel centre, founded by the Japanese more than a generation ago, is being steadily transformed into a modern complex of plants, an interlocking iron and steel combine. Large automatic iron and steel mills are going up. The first automatic blast furnace plant started production in the spring. The new heavy rolling mill and seamless tubing mill are nearing completion. They are planned to produce annually hundreds of thousands of tons of rails and structural steel for railways, bridges, and buildings, and seamless tubing for railways, bridges, locomotives, ships, automobiles and tractors. A new steam power station and two hydro-electric power generators have started operation in the North-east. Six more large plants and dozens of smaller units are being built in various parts of the country.

Coal production under the new dispensation has been much worse both in quality and in quantity, but there has been extensive expansion at the open-cut mines at Fushun, as well as increased mechanization. Some millions of tons are expected to be added to the annual coal output thereby.

The foundation stone of the first automobile factory was laid on July 15. Nine large machine-building factories are being newly built or reconstructed, and when they are completed China will be able to produce her own turbine generators, steel rolling equipment, mining machinery, precision tools, pneumatic tools and electrical apparatus. Four large cotton mills are being built in the cotton growing centres, and the plans call for many paper mills, sugar refineries, and factories for pharmaceutical products. It is claimed that mass production of anti-biotics will begin as soon as two big factories for this purpose are completed.

With the growth of industry, the major industrial cities are quickly expanding and new industrial centres are taking shape in the interior of the country. Anshan has grown from 190,000 in 1949 to a city of more than 400,000 people and is still increasing rapidly. Hsiangtan, Chairman Mao Tse-tung's home town, in Hunan Province, is becoming a new textile and machine-building centre. Two new textile centres, Shihchiachuang and Hantan, are coming into being in the centre of the country's richest cotton-growing province Hopei. Tens of thousands of new homes are being built for workers in industrial centres throughout the country and, with them, new "palaces of culture," cinemas, parks and public utilities.

A start has been made this year in the large-scale investigation of China's natural resources to provide information for future development. Funds allocated for geological surveying and prospecting are seven times as much as last year. Rich iron deposits have been located in North and Central-South China. Big copper deposits have been found in Northwest China. Available oil reserves of the Yumen oilfield in Northwest China are held to be 16 times above previous estimates.

Better communications, linking up all parts of China, are part of the process of industrialisation. Construction has started on the three thousand-kilometre Lanchow-Sinkiang Railway, through the Gobi Desert in the Northwest. Two new motor roads, each over one thousand kilometres, are being pushed forward across the Tibetan Plateau, over four thousand metres above sea level. They will eventually reach Lhasa from the East and the North. A new railway linking up Southwest China with the Northwest, the Chengtu-Tienshui Railway, is also under construction.

This year, too, the Huai River project entered its third year. Its biggest dam, the 697-metre long Sanho Movable Dam, was completed on July 25, relieving hundreds of thousands of hectares of land in the northern Kiangsu plain of the flood menace that existed for 700 years. China's biggest reservoir, the Kwanting Reservoir, on the Yungting River near Peking, is nearly finished. It has already held back, in late August, the second greatest torrent of water ever recorded in the history of the River.

The potentialities of the Yellow River for hydro-electric development have been pronounced excellent by experts after an 8-months detailed survey of its upper and middle courses. Surveying has also been carried out along the tributaries of the Yangtse River. China is the second largest country in the world in water power reserves, next only to the Soviet Union. The use of water power will gradually be integrated with all the other industrial developments of China.

BRITAIN AND G.A.T.T.

By John Kingsley

The United Kingdom has sent a strong delegation, led by the President of the Board of Trade, to the meeting of the contracting parties of the General Agreement on Tariffs and Trade (G.A.T.T.) which is being held in Geneva from September 17 to the end of October. Although this meeting will not be made an occasion for yet another round of multilateral tariff negotiations, it will none the less be important from the tariff angle. This will be due to probable decisions that will be taken on an

extension beyond the end of this year of tariff schedules negotiated at previous G.A.T.T. meetings, and to Japan's application for membership which, even though it would be provisional, would have an importance in keeping with Japan's position as one of the great trading nations of the world.

The British attitude at this meeting will be wholly cooperative, benevolent and constructive. Freedom of opinion and of the Press in Britain may sometimes give the impression that there is a strong anti-G.A.T.T. party in this country. It would be well to stress that the most strident expressions of opinion on any particular subject are not necessarily those that are most authoritative or most representative.

It should be recalled that the British Government has taken a considerable part in the formation of G.A.T.T. and in tariff negotiations that have given the Agreement reality in a world of international trade. It was a joint team of British and American experts which, in 1945, hammered out the original proposals on an international commercial policy that were to be evolved by dint of much hard labour into the Charter of an International Trading Organisation (I.T.O.).

It is no fault of the British Government that this project should have been stillborn. Fortunately, the essence of the Charter has been embodied in G.A.T.T. It can be claimed for this document, as for the Havana Charter of I.T.O., that more of their clauses can be attributed directly to the authorship of a great British civil servant, the late Mr. R. J. Shackle of the Board of Trade, than to the work of any other single individual.

The general objectives of I.T.O. and of its offshoot, G.A.T.T., namely, the maximisation of international trade and the most rapid possible removal of obstacles to such trade, are those to which no responsible British authority could object. The commercial and financial greatness of Britain were built on the basis of the greatest possible freedom for trade and payments. Britain's economic problems can only be solved satisfactorily in the framework of an expanding world trade. There should, therefore, be no suspicion of the British attitude to G.A.T.T.

This does not say that the British view has always accepted every clause in the agreement, or agreed with the way in which those clauses have been interpreted by other countries. One of the basic rules of G.A.T.T. is that world trade shall be conducted on non-discriminatory lines, that all nations should treat others alike in their tariffs or other commercial restrictions. As it has sometimes been interpreted, this rule seems to suggest that it is relatively innocuous to hit other countries by means of high tariffs provided all are hit equally hard, but that it is a particularly heinous kind of offence to hit some less hard than others.

There is no intention on the part of the British Government to question this basic rule at the current G.A.T.T. meeting. It may well be that during this meeting the contracting parties will agree that the whole of the Agreement should be given another "look-over" some time next year. Its reconsideration towards the end of 1954 may well be called for as a result of a redefinition of the American foreign economic policy which should have been completed by that time. If such reconsideration takes place, it may be assumed that some of the British reservations to the Agreement will be duly pleaded. There is no intention of pleading such reservations in the immediate future.

CONTROL OF BORROWING FOR CAPITAL INVESTMENT IN BRITAIN

By John Kingsley

Of late many controls have been abolished in Britain. Price control by the Board of Trade has ceased, the use of most industrial materials has been freed, only a few foodstuffs are still "on the ration" and a number of free commodity markets are functioning again. The control of capital issues, however, continues and one may well wonder what its future will be.

It is worth recalling that the control of new capital issues is not a postwar innovation; its beginnings go back to the time of the depression in the late thirties, when informal restrictions were placed on new capital issues.

When war broke out in 1939, a comprehensive system of control of new capital issues was instituted under the Defence Regulations. The existing Advisory Committee was renamed the Capital Issues Committee (CIC). It had to examine all applications for permission to make new issues, but the ultimate decision for permission or rejection was vested in the Treasury. Originally only issues of under £5,000 were exempted from this control; the limit was later raised to £10,000. The main purpose of the control during the war was to permit only such issues the proceeds of which directly promoted the war effort or were clearly in the national interest.

When the war in Europe ended, the control was continued, but with the big task of reconstruction ahead its objectives changed. The new criteria to be applied were set out by the Chancellor of the Exchequer in a memorandum to the Capital Issues Committee in May, 1945. In the following year, Treasury control of borrowing for capital ex-

penditure was placed on a permanent basis through the Borrowing (Control and Guarantees) Act, 1946. The Committee continues to fulfil its advisory function to the Treasury and is guided by special memoranda addressed to it by the Chancellor which reflect the changing emphasis of policy necessitated by the changing economic conditions. We do not propose to give a detailed analysis of the various regulations and instructions, but think it more interesting to describe how the control works. External issues relating to countries outside the Sterling Area are not dealt with in this article, since they are subject not only to borrowing control but also to exchange control.

All borrowing for capital expenditure is subject to Treasury consent. The exemption limit has been raised to £50,000 since 1947; this applies to transactions within one year. Applications by local authorities in Britain are dealt with by the Treasury itself, public borrowing from the Commonwealth is examined by the appropriate Government Departments and then referred to the Treasury. All private borrowing—whether domestic or from the Commonwealth—is dealt with by the Capital Issues Committee in consultation with other interested departments, subject to final decision by the Treasury. Borrowing from banks in the ordinary course of business is specifically excluded from direct control (though banks may receive general requests as regards the granting of credit), but applications for bank credit to be used for capital expenditure have to be submitted to the Capital Issues Committee and are usually approved only on condition that they are replaced within a very short period.

The Capital Issues Committee consists of seven unpaid members experienced in banking and industry who meet once a week and have at their disposal a staff of ten civil servants. Its decisions are based on the general directives of the Chancellor, but take into account the special circumstances of each case. The memorandum of 1945 stressed the needs for reconstruction of industry and the rebuilding of Britain's exports. Emphasis on projects promoting export was again laid in 1949. In the spring of 1951 priority shifted to defence and materials in short supply and at the beginning of the current year the Chancellor asked the Committee to add to the existing priorities (rearmament, stimulation of exports, saving of imports, relief of basic deficiencies) also projects which appear "to contribute materially to the improvement of the Sterling Area's balance of payments with the non-sterling world," thus implementing the decisions of the Commonwealth Conference of December, 1952.

In 1952 new issues for the United Kingdom totalled £387.2 million compared with £131.8 million in 1938. Issues for the Commonwealth rose from £23.5 million in 1938 to £50.2 million in 1952—seemingly to a lesser extent than those for domestic use. However, the 1938 figure contains the issues for Canada, which is outside the Sterling Area and where British investment has been relatively small in recent years. No separate figures are available for the sterling Commonwealth. It must also be remembered that the Commonwealth countries are now financially much stronger than before the war and have in sterling balances assets of their own, which decrease their dependence on the London capital market. But Britain is trying closely to implement the recommendations of the Commonwealth Conference on the need for development of capital from London. For instance, she has agreed that the New Zealand Government should raise £10 million a year in London marked for the Murupara project (pulp and paper) which is expected to save some £54 million of dollar expenditure a year. On the other hand, an application by the Auckland Harbour Authority for access to the London market for capital to be used for the construction of a new bridge was refused as unessential—with the full understanding of the New Zealand Government.

In addition the figures for new issues do not tell the whole story of British investment in the Commonwealth. Large sums are spent by oil companies, for example, for exploration and development in many parts of the Commonwealth and for the construction of new refineries in several Commonwealth countries. These expenditures are financed from their own resources.

In view of the many urgent tasks competing for Britain's limited resources, the control of borrowing for capital expenditure has certainly fulfilled a useful purpose in the years since the war. It has and will continue to take full regard of the needs of the Commonwealth. It would seem that this particular control has still a useful function to perform, and its early abolition is therefore unlikely.

However, further modifications are possible on the lines of the recent instructions to the Capital Issues Committee to recommend, in appropriate cases, the raising of new capital by investment trusts, which had been banned since the war.

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NOTES OF THE WEEK

ECONOMIC PLANS IN SOUTH KOREA

Korea will remain forever dependent upon American aid unless North and South Korea are united, Lee Chai Hyung, ROK Minister of Commerce & Industry, told this **Review** in an exclusive interview.

"Neither South nor North Korea alone is able to realize a self-sufficient economy until the whole country of Korea is reunified," he said.

Supporting President Rhee's call for a united Korea with economic arguments, the young Minister explained that, during the Japanese occupation of the country, North Korea had provided the mineral resources, power and heavy industry, while South Korea concentrated on food production and light industry.

"The Chinese have forced this normal pattern of trade to change," Lee charged. "Even if North Korea is now able to exist by trade with Manchuria, the North Koreans will suffer economically by this unnatural and forced development. We in South Korea wish unification not only for the benefit of ourselves, but also for our fellow countrymen in the north."

Although it will be impossible to cut military expenditures during the armistice, the Minister outlined a plan of industrialization which, with United States aid, may begin immediately. "The most pressing economic problem in Korea today," he added, "is the securing of sufficient capital to keep existing industry in operation."

To secure "the immediate necessities of our daily life", South Korea intends to concentrate first on food, clothing and housing. The textile industry will be rebuilt to a capacity of 398,000 spindles and 8,522 looms. A fertilizer plant, with an annual capacity of 300,000 metric tons, a cement plant with 450,000 metric tons and a flat glass plant with a 120,000 box capacity are scheduled. Fertilizer is essential to the basically agricultural economy of Korea.

(The economic advisers to UNKRA told this **Review** in Pusan that the United Nations was urging an export textile industry on Korea. No one seemed to know, however, to whom the textiles would be exported. More serious, no one seemed to have thought about this problem).

The ROK government will require "hundreds of millions of dollars" to effect this program of reconstruction and industrialization. "The ROK government is not able to finance this program by itself," Lee said, "and I believe that any possibility of completing these plans depends entirely upon foreign aid given by Democratic, free nations."

Aid to Korea has been given by the United States under the ECA and MSA programs and by the Korean Civil Assistance Command (KCAC), as well as by the United Nations Korean Reconstruction Agency (UNKRA).

Minister Lee warned that the heavy investment needed to rebuild the Korean economy will, in the short run, have an inflationary effect despite foreign aid.

"It is natural that the inflation will not be stopped as long as huge investments are being made for the reconstruction of industrial organizations."

But, he pointed out, if investment goods provided by foreign aid are sold for hwan, the amount of currency in circulation will decrease and with it, prices. This, of course, is providing the loan policy of the Bank of Korea and the budgets of the ROK government are not inflationary in themselves.

Turning to Korea's economic relations with Southeast Asia, the Minister said that Korean imports from Hongkong would probably increase.

"Hongkong has been playing an important role in the economic life of my country," he continued, "and only one illustration of this is the recent opening of the second foreign branch of the Bank of Korea in that colony." The Minister also expects that navigation and air agreements will be reached with the Hongkong government within the near future.

The effect of this armistice economic program will be to increase Korean trade with both Japan and the United States. This comment Minister Lee made, despite the political tension which exists between Japan and the country it is accused of having shamefully exploited. But he also predicted that the ROK would undertake to protect its new industries against Japanese competition by any means necessary. "The fair development of Korean industry can only take place," he said, "with a proper tariff and exchange control system."

Finally Minister Lee re-emphasised that only a unified Korea could develop a sound, self-supporting economy.

Frank H. H. King

(Lecturer in Economics, University of Hongkong)

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PRIVATE ENTERPRISE IN SHANGHAI

During the first half of the first year of the commencement of the nation's large-scale economic construction, private commercial enterprises in Shanghai achieved notable increases in the volume of business.

According to the statistics of the Bureau of Industrial and Commercial Affairs of the Shanghai Municipal People's Government, 294 typical business houses engaged in 35 principal types of private enterprise dealing in such things as foodstuffs, general goods, native products, industrial implements and materials, fuels for building construction, etc., the entire body of wholesale pig dealers and five jointly operated concerns dealing in vegetables and groceries, on an average, increased their total volume of business during the first half of this year by 64.71 percent, compared with the same period in 1952 (when the "five anti" campaign terrorised and paralysed them).

During the first half of this year, because capital construction units, government organs and army headquarters in various localities successively made purchases from Shanghai, the volume of business of the private concerns dealing in tools and materials for capital construction was increased. According to the data on the volume of business of 47 typical business houses of private commercial enterprises in five trades, dealing in iron and steel, metals, industrial chemicals, pigments and electrical appliances, the average business volume during the first half of this year was increased by 200.97 percent as compared with the corresponding period last year.

Along with the increased purchasing power of the people, the volume of business of the private concerns dealing in general goods and subsidiary foodstuffs was also generally increased during the first half of this year. During this same period, buyers coming to Shanghai from various

places in the country included those from distant big cities, such as Lanchow in the Northwest and Kunming in the Southwest and also those from the small and medium-sized towns in the northern and central-southern provinces. There were, besides, private traders from far-off frontier regions, such as Sinkiang, Tsinghai and Tibet. These groups of customers bought 3,310,000 pieces of cotton cloth, which represented about a 40 percent increase over their total purchases for the second half of last year. During the first half of this year, the volume of business of the three big department stores (the Wing On, the Sun and the Sincere) in Shanghai was increased by 160.1 percent as compared with the same period last year and that of the three Ta Hsiang (Hsieh Ta Hsiang, Pao Ta Hsiang and Hsin Ta Hsiang) cotton piece-goods shops, likewise, showed an increase of 79.75 percent as compared with the same period in 1952.

Besides the notable increases in the volume of business, various business concerns in Shanghai also discovered that seasonal commodities were sold earlier than usual and that the sales of the first grade goods were particularly good. As early as the beginning of March, groups of buyers from Canton, Taiyuan, Lanchow, etc. had already started their purchases in Shanghai of summer goods, such as printed cloth, linen and light-colored cloth, thus creating a boom for summer fabrics in June. As early as June, buyers from the Northeast and Central-South bought in Shanghai large quantities of heavy serge, colored serge, water-proof khaki, printed cotton twill, etc. During the first half year, buyers from places in Sinkiang and the Northeast placed large orders in Shanghai for satin to make quilt covers.

* * *

SHANGHAI'S CATHEDRAL

A page of history has been turned with the announcement in the press that the Archbishop of Canterbury has agreed to accept the registers of the Holy Trinity Cathedral in Shanghai, and they will be placed in the library at Lambeth Palace if the British authorities concerned agree to this step. At present the registers are being held for safekeeping by the British Consulate in Shanghai, where they were deposited prior to the departure of Dean Trivett for Canada and the closure of the Cathedral.

The handsome red-brick structure was designed by Sir Gilbert Scott and occupied the site of the first Episcopal church erected in Shanghai in 1847, which had fallen into a state of disrepair.

Work on the building, the plans of which were altered by a local architect to suit the conditions, was commenced in 1866. For many years, the Cathedral stood without a tower. However, this omission was made good in 1893 when a tower and steeple, detached from the main building, were added to the great improvement of the building, which with this addition easily took first place amongst the churches of the Far East.

Later, fine stained-glass windows were presented by various members of the congregation, completing the interior; while Westminster chimes sounding from the bell-tower added to the general effect.

Altogether it was a structure of which Shanghai might well have been proud, and although it is now closed as a place of worship, it continues to be of use to the community as a club.

Associated with the Cathedral and standing in its grounds was the Cathedral School for Boys, which had a very high standard of tuition. This was rebuilt with funds raised by the sale of lands belonging to the Cathedral, helped out by a bequest to it by the late Mr. Henry Lester, who had always taken an interest in the school.

* * *

BEGINNING OF INDUSTRY IN HONGKONG

Although it might not be one of the biggest, the ginger industry was one of the Colony's oldest, having started in 1846 soon after the foundation of Hongkong. This was one of the points made by Dr. S. G. Davis and the Rev. Fr. T. F. Ryan SJ, in their discussion about early Hongkong over Radio Hongkong. The ginger industry had come to Hongkong from Canton and there was a romantic story about it. A food hawker selling ginger in Canton had discovered a way to preserve it and he found that it was very palatable. He gained a lot of foreign customers and as the foreign population grew the market became better. Ginger eventually got to England and the story was that Queen Victoria, liking it, ordered it to be served at all her banquets as a dessert.

The product was one of the few things over which Hongkong had a complete monopoly throughout the world—it was the only place in the world which really mattered when it came to ginger. Many efforts had been made to distribute it on a big scale but it was still being treated as a luxury product and in some countries the price had been raised. Hongkong's "Ginger King"—Mr. U Tat-chee—had organised the industry extremely well.

Another early Hongkong industry was sugar, sugar cane being grown in the New Territories. Refining went back to the 60's with the birth of the Indo-Chinese Sugar Company, "Indo" probably being derived from Indian capital or the service of Indian technicians. The name could also have been derived through the importing of extra sugar cane to supplement local supplies.

Jardine's took the company over in 1878 and re-named it the China Sugar Refining Company with premises formerly occupied by the Hongkong Mint. The big sugar refinery in Hongkong today—The Taikoo Sugar Refining Co., Ltd.—started in 1882. Its original name was the Luzon Sugar Refining Company, the sugar cane coming from the Philippines. The present Company had survived many difficult times.

The Hongkong Mint was quite an interesting story. It dated back to the time when it had been wondered what currency Hongkong should use. The change-over from the use of English pound to the dollar came in 1865. The dollar was a much more practical form of currency because in China they were using the Mexican dollar and any other silver dollars. The decision to start the Mint was taken at about the time of the Taiping Rebellion. However, the Mint did not last very long—just six months, and in that time the Hongkong Government lost $275,000.

When considering materials available here one had to think in terms of what was in the ground and the first thing was rock which will bring thoughts of Hongkong's lovely granite. The Colony's granite compared very favourably with any granite in the world, including the lovely red granite from Aberdeen, Scotland. If Hongkong's granite were taken back to England and the climate there it would not get the same kind of rust that was obtained here. All the stone industry in Hongkong was in the hands of Hakkas who were experts in every type of stone work—from the beginning of blasting all the way through. The Hakkas carved to a pattern and there were really artists among them. One granite site was Morrison Hill, the clearing of which had begun in 1922 or 1923 when it had been expected that the hill would be levelled in two or three years' time. Today, they were still trying to do so. Many of the Colony's roads were metalled with the rock from Morrison Hill.

There was no doubt that one thing in which Hongkong was very well off was building stone. Outside of granite

the Colony had the very resistant volcanic rock and there was, too, the Blue Stone. Hongkong granite had been sent to Shanghai, the Philippines and to Singapore. The buildings on the Shanghai waterfront were of granite from Hongkong.

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MINERAL RESOURCES OF HONGKONG

Clay was one of the most valuable Hongkong minerals because it was constant and provided a tremendous amount of employment to the local people, said Dr. S. G. Davis and the Rev. Fr. T. F. Ryan, SJ, in their discussion about the Colony. The Colony had plenty of clay and in thinking of it such things as bricks and tiles and porcelain came into consideration. Possibly the best known clay deposit in Hongkong was at Brick Hill where clay had been worked in the 1860's. The clay there had a bluish colour which could still be seen in the bricks of some of the older houses here.

In the villages of the New Territories all houses were built of blue bricks and that was because the clay used was mainly bluish in colour. Villagers seemed to prefer this blue colour and probably it had something to do with good luck. In some cases where blue bricks were not available they painted the cement blue—something which was perhaps connected with "Fung Shui".

Hongkong exported bricks and with the new building programme a tremendous number was being used. Brick Hill clay was practically exhausted. One found certain deposits of clay just as one found certain stones in certain areas. Most of the blue clay deposits were in the New Territories.

Some porcelain was made in the Colony. Before the war, where Kai Tak Airport now was, there was a clay ceramic factory for little china toys which were sent to the American market. Some porcelain figures were still being made in Hongkong, the glaze for which could also be obtained here. Most glaze formulae were kept secret by the various potters. White clay was also used as fillers for rubber.

Lead was another prominent Hongkong mineral and Silver Mine Bay should really be called Lead Mine Bay because the silver there averaged only two or three per cent. However, the silver lead was sufficiently pleasant to look at to give the idea of silver. It was quite a long time since mining had been done at Silver Mine Bay which goes back to 1896. It was, however, still interesting to take students or picnic parties there because they could always return with a few specimen as there was still an outcrop there. There is danger of moving into the gallery there without a torch as there was a big hole in the ground and without a light it was quite possible to fall about 60 feet. In fact, only recently a man exploring in the cave fell the 60 feet.

Sand was also a valuable Colony mineral asset. It was being used in an enormous quantity in connection with the building of houses. Along Castle Peak Road one beach had been marked off and lorries were there taking sand away. Iron was important too, the mine at Ma On Shan employing 2,000 to 3,000 workmen.

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SURVEY OF THE YELLOW RIVER BASIN

The intensive survey now being made on the Yellow River basin is preparing the way for major developments there, reports the Peking Jen Min Jih Pao in an account of the massive surveying job on the river formerly called "China's sorrow". The paper shows that the complete harnessing of the Yellow River is a complicated task requiring a colossal amount of labor. The aim of this work, it says, is "not only to wipe out the flood menace but to make use of the water for generating electricity, developing irrigation and navigation and building up other enterprises beneficial to our national economy."

This first comprehensive survey of the Yellow River is covering the whole course of the river from its source in Northwest China to its mouth on the east seacoast, a distance of over 4,800 kilometers, or almost twice the length of the Danube River in Europe. Surveyors have traversed the high plateau of the Northwest, over 4,000 meters above sea level, where the only inhabitants are wild animals and the air is so rarefied that the boiling point of water is as low as 60 to 70 degrees Centigrade. They have pursued their work in subzero weather and have discovered the true source of the Yellow River to be at Yokutsunglieh, in marshy land surrounded by snow-clad mountains where numerous limpid springs and ponds form the headwaters of the river.

Sites for reservoirs and water detention basins have been located and excellent places for building of hydroelectric projects have been found in the deep rugged valleys in the upper and middle reaches. Six drilling teams, consisting of 200 skilled workers, are now doing preliminary prospecting work at a dozen or more reservoir sites. Information has been collected on the economic conditions in the areas around five of the projected reservoirs. The number of hydrological and meteorological stations along the river will be increased from 400 to over 600 this year.

Ten teams, consisting of 430 surveyors, have gone to Northwest China this year since early May to investigate the causes of soil erosion there and the problem of floods in general. This year alone they will survey 190,000 square kilometers of land. Besides, another 700 people are working out water levels and compiling a detailed topographical map on the Yellow River. Most of this work will be completed this year.

The chief causes of flooding along the river are that the rainfall in the river basin is concentrated in late summer and autumn and the river carries down a large volume of silt from its upper reaches. Thus the breaching of dykes was a common occurrence in the rainy seasons as the torrential flow of the river rushed down to the lower reaches where the bed of the river is heavily silted up. Floods occurred once every two years with almost unfailing regularity during the past four thousand years. And these floods washed away hundreds of thousands of tons of grain.

Since the large-scale work carried out by the People's Government, no dyke breaches have taken place, which in itself is a remarkable development for the area. But the people are not content with this and are convinced that they can turn the vast Yellow River basin into a land of prosperity and happiness. The Jen Min Jih Pao declares that within a few decades, the loess soil along the river will be covered with forests and soil erosion will be checked, the weather in the basin will become more humid and milder, and the agricultural output in the area will be raised. The river will supply electricity and water for nearby villages and towns. Ships of five hundred tons draught will sail along it from the sea as far as Lanchow in the Northwest.

* * *

PRODUCTION OF CHINESE STATE ENTERPRISES

The operations of the State industries in China were recently the subject of a review. Peking stated that the enterprises in the North-east of the five industrial Ministries

of the Central Government slightly exceeded (101.6%) the planned target, though only 36 out of 56 categories did so. The machinery industry greatly raised its productivity by using the Kolesov cutting method and made 120 kinds of new products. There was also an improvement in output and quality of steel.

Nevertheless there are still serious problems. The plan of technical and economic quotas was insufficiently fulfilled. Of the 13 major quotas in seven industries, only three were fulfilled. The mines fared worst of all. Owing to chaotic production management, weak technical control, inadequate equipment, and negligence about the quality of products on the part of the leadership officials, many products were unusable and the rate of good products was low and poor in quality and performance, and not standardised. Accidents in coal mines were more serious than in 1952, and more accidents occurred in the Anshan Steel and Iron Company month by month. There were fewer accidents in the power, petroleum, chemical and non-ferrous enterprises, but the nature of the accidents was more serious than in 1952.

There was laxity in labour discipline especially in absenteeism. In the non-ferrous, coal-mining, textile and machinery industries, the attendance rate did not come up to the planned target, and was even lower than that in the corrseponding period of 1952. The products of heavy industry failed to reach the targets and costs were excessive.

The causes of these evils were the increased tasks imposed on production, the weakness of the leadership cadres, the chaotic production management, and the low technical levels. As the tasks of the first half of 1953 were not fulfilled, the targets for the second half will be even more difficult to fulfil.

In East China (including Shanghai) 16 out of 23 kinds of industrial products in the State industries came up to the planned target, and quality was better in the second quarter. Some factories and mines even promoted work programmes in the workshops, work sites and in small groups. Labour discipline also improved owing to strengthened "political education," and improved health and safety facilities. The most important weakness was the inability to fulfil plans broadly and evenly, so that, for example, cotton yarn exceeded output and the State cotton mill in Shanghai (No. 18) was short of target. Another weakness was the prevalence of laxity at the beginning and of intensity, to make up for it later, with work round the clock. Planned targets were not fulfilled in unfinished or semi-finished products. In many cases products were of inferior quality. The wastage of cylinder-cowlings by the Wusih machinery works was as high as 64%. Care was not taken in technical designing and spare parts were badly damaged. Labour discipline is still serious in some factories. Installation accidents in steel and iron mills were a general and serious problem. Damage to the transformer of an electric furnace reduced by one-third the output of the Asiatic Steel and Iron Works.

In the South-west 32 out of the 52 principal State-operated and jointly operated factories and mines over-fulfilled the production plan in the first half of 1953, and some of the products showed improvement in quality, including steel ingots and electrolytic copper. Nevertheless most industrial products failed to come up to standard and some were very bad, especially the cotton yarn spun by most of the mills. The improvement in output is attributed largely to measures ordered by the party, and by the fact that the party bureaucrats were enticed from their desks and went into the factories to hear what the workers had to tell them. Unconcerted actions were also stopped, and the party, government, trade union and youth league organs unified.

During the first half of the year six coal mines recorded nearly 1,300 accidents, large and small, thereby seriously affecting the volume of production and the quality of products. Many factories and mines failed to keep primary records and did not carry out fixed quota systems.

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NEW CHINESE CUSTOMS FLAG

Replacing the old Chinese Customs flag which showed a yellow St. Andrew's cross on a green ground, is the new flag which came into operation as from October 1 this year. As ordered by the Chinese Ministry of Foreign Trade, the new Customs flag will be the Chinese Communist national flag with the Customs emblem at the lower right-hand corner of crossed golden keys and the staff of Mercury.

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CHINA-CEYLON TRADE AGREEMENT

Two agreements have been signed between Peking and Ceylon for the purchase and sale of rice and of rubber in 1954, and it has also been agreed to extend the 1952 trade agreement for another two years.

Under the new agreements sales of rice by China and rubber by Ceylon will be "on a basis of equality and mutual benefit and at agreed prices between the two sides."

During the period Jan.-August of this year, Ceylon imported 2,871,000 cwt of rice from China valued at 111,870,000 rupees. Rubber exports to China totalled 88,533,538 lbs valued at 154,872,924 rupees.

THE MONETARY SITUATION IN POSTWAR JAPAN

In the chaotic period immediately after the war, inflation rapidly spread due to reckless advances of money and the breakdown of producing facilities. As a result, in February, 1946, price controls along with monetary reform were carried out decisively. These measures, however, failed to clamp down thoroughly on inflation, though contributing to improve the monetary structure only for a short time. As postwar Japan was placed under the necessity of taking, first of all, policies aiming at production increase rather than economic stabilization, strong financial support was rendered for the purpose by supplying industrial funds (from the now-defunct Reconstruction Finance Bank). The industrial funds supplied by the Reconstruction Finance Bank 1947 came to 68 percent of a total advance of all Japanese banks for the year. As of March, 1949, Reconstruction Finance Bank debentures totaled Y168,000,000,000. As the greater part (74 percent) of the debentures was underwritten by the Bank of Japan, this financial measure produced the same effect as deficit-covering bonds would do in bringing about inflation. Thus production was gradually expanded, while issue of the Bank of Japan notes at the end of 1948 increased 15 times as much as that at the end of March, 1946. Things, however, were worsening with indications that economic crisis would be inevitable in case such a policy should continue. Finally such a situation necessitated the visit of Joseph Dodge to Japan in February, 1949.

Against the measures then taken in Japan, Mr. Dodge embarked on the institution of balanced finance and exchange rates and the stabilization of currency through tax reform. In 1949, Japan could establish a perfectly-balanced budget for the first time since the war's end. Another development was that an appropriation of Y157,100,000,000 was made for redemption of old debts in general accounts. This budget was hailed as "ultra balanced finance". Soon the function of the Reconstruction Finance Bank was suspended after doing much toward production increase, though it was held responsible for inflation. In 1949, the bank's advances amounting to Y26,000,000,000 were withdrawn. The financing from US aid counterpart funds which subsequently superseded the Reconstruction Finance Bank loans made so little progress that the nation's industries in general were soon plunged into heavy deflation.

As Japanese business and industry during wartime through postwar years maintained their operation by running through capital, inflation added to the depreciation of substantial accumulated-capital in the national economy. As a result, the capital structure of enterprises deteriorated and bank deposits represented 25 percent of national earnings (with 1934 taken as 100 percent). The funds required for industrial activity from the war's end to 1948 were provided by financing for deficit-covering and in the form of underwriting by the Bank of Japan of Reconstruction Finance Bank debentures. After the suspension of funds supply by financing for deficit-covering and the Reconstruction Finance Bank, it became impossible to provide necessary industrial funds out of the bank deposits which, as mentioned above, had considerably declined. Meantime, the commercial banks could not help asking the Bank of Japan for loans to make up for shortage in funds supply. Thus the mounting advances which far exceeded deposits gave rise to overloans.

This trend became more and more conspicuous in 1951 when demand for funds greatly increased due to the outbreak of the Korean hostilities. It may, however, be said that such a trend was destined to hang on the then Japanese economy which, after all, could not but run into the red in the combined balance of national economy. As stated above, 1949 was the year worthy of special mention in Japanese finance, as an ultra-balanced budget was established for the first time in that year, with the balance of the national treasury turning into the black. The year-end balance of issue of the Bank of Japan notes showed almost no increase as against the previous year, and prices tended to be somewhat lower. Thus the postwar inflation was finally kept in check by the Dodge Plan.

However, the Korean war which broke out in June, 1950, brought about a significant turn in the Japanese financial situation. In 1951, the second year after the enforcement of the Dodge Plan Japan's finance saw a contraction for the first time. The scale of the nation's general account accounted for 18 percent in its percentage against national earnings as compared with 20 percent and upwards in the previous years.

The Korean outburst immediately resulted in an expansion in Japan's foreign trade, increasing rapidly the receipt in foreign exchange due to special procurement orders. Viewed internally, the Government registered a Y37,900,000,000 withdrawal in its loans to the nations. Increases in production and foreign trade brought about swollen bank advances. Issue of the Bank of Japan notes also scored a sharp increase with Y422 billion in 1950 against Y355,300,000,000 in 1949.

Japan in 1950 signed a peace treaty at San Francisco, and in 1952 she became politically independent. Nevertheless, placed in a position far from economic self-sufficiency, Japan is now heavily influenced by world business recession. Thus the supplementary budget for 1952 underwent a marked change by way of counter-measures against hard times. The general account amounting to Y932,500,000,000 represented 17.5 percent of national earnings, a little more than 16.4 percent for the preceding year. Behind such development was the adoption of policies seeking to tide over the depression by positive release of funds accumulated under the Dodge Plan. However, the expenditure in Public finance was substantially small, and the national treasury stood at the black balance as there remained a total carryover of Y160,000,000,000 (17 percent of the general account), including various security spendings (expenses required for transfer of occupation forces to US security forces) and defense expenses. As regards the budget for 1953 envisaging Y960,500,000,000, it was drafted in January this year and had been under discussion in the Diet which was dissolved on March 14.

With the formation of a new Cabinet following the general election on April 19, the 1953 budget will be established anew. It is expected that the first half of this year will, after all, see a strong trend toward deflation.

Since spring, 1951, demand for funds has dwindled due to business depression, while bank deposits have shown a gradual increase. Meantime, overloans have coincidentally been improved. The rate of deposits against loans has fallen from 100.7 percent at the end of 1951 to 95.7 percent at the end of 1952. Generally the financial situation has returned to normalcy.

This trend is also evident in fixed deposits. Savings, which stood at a mere 14.5 percent in 1947, have increased to 48.5 percent at the end of 1952. However, the Japanese industries which saw a depreciation in capital due to wartime and postwar inflation have depended so much on financial

(Continued on page 484)

FOREIGN TRADE AND PAYMENTS OF FAR EASTERN COUNTRIES IN 1952

Further Decline of Export Earnings

Owing mainly to the weakness in raw material markets, the total export earnings of the Far East in the first half of 1952 decreased further from the peak reached in the first half of 1951. The export earnings of fourteen countries of the region* totalling $3,826 million, were 8 per cent below the second half of 1951 and 26 per cent below the first half of 1951 (the boom period). However, export earnings were still 55 per cent higher than in the half year before the outbreak of the Korean war.

The value of exports during the first half of 1952 of most countries fell below the level it had reached in both the first and the second half of 1951. The exceptions—apart from Japan—are Burma, China (Taiwan) where exports were at a higher rate than last year, and Pakistan and the Philippines where they were higher than in the second half of 1951 though lower than in the first half. However, in Pakistan, the total value of exports fell steeply in the second quarter of 1952 on account of the sharp decrease in prices of cotton and jute. Hongkong's exports were lower not only than those in 1951, but also than those before the outbreak of the Korean war.

The raw material exporting countries generally suffered the heaviest losses. That both prices and quantities of exports of several primary commodities (particularly rubber) declined clearly indicate that the decrease in demand was the dominant factor. The movement of export prices and of the quantity of exports in the same direction aggravated the decrease in total earnings, though this was not the case in all countries. Moreover, the severe price fall placed various export industries in a difficult position as costs of production, which had risen during the boom period, resisted adjustment. This applies particularly to wages which generally follow the price of food; in the face of rising—or continually high—food prices, wages are rather sticky.

As to the rice surplus countries, Thailand and Indochina produce and export in addition to rice a substantial amount of raw materials, so that the bearishness in raw material markets, especially of rubber, affected their export earnings. However, the major component of their total export is still rice. That the total value of exports of these rice surplus countries decreased during the first half of 1952 is mainly explained by the fact that governments have decided to preserve a part of exportable rice for domestic markets.

The decline in India's total export earnings was mainly attributable to the fall both in the prices and the quantity of exports of tea and of jute manufactures. India's exports of cotton goods, however, were maintained in the first half of 1952. The entrepot trade of Hongkong remained inactive. In addition to the embargo and counter-embargo on trade with the mainland of China, Hongkong's entrepot trade was hit by the fall in the purchasing power of raw material exporting countries and by the world textile recession.

Several governments in the region have adopted measures to alleviate the decline in exports. Export control was relaxed in India where, among other measures, the destinational control of jute and cotton manufactures was abolished. Export duties in several countries were considerably reduced, notably the duties on cotton, jute and wool in Pakistan, on jute manufactures in India, on rubber, copra and coconut oil, and tea in Indonesia. Those export duties that are levied on a sliding-scale basis, e.g. duties on rubber in Malaya, and on rubber, coconut products and tea in Ceylon, were automatically lowered when prices fell. In Indonesia, the rupiah export rate was changed from 3.80 to 11.40 per dollar.

Bearishness in Raw Material Markets

Raw material markets remained bearish in the first half of 1952. The demand for and the prices of almost all staple raw materials of the region, especially of natural rubber, copra, coconut oil, hides and skins, cotton, hemp and jute, declined further during the period under review. The price of tin, however, was relatively stable as a result of the two trade agreements concluded by the United States with the United Kingdom on behalf of Malaya on the one hand, and with Indonesia on the other. A brief account of changes in several major raw material markets during the first half of 1952 is given below:—

Natural rubber represents a typical case in which the fall in both prices and quantum of exports since early 1951 indicates clearly that the decline in demand was the basic cause. The demand for rubber had been strongly influenced by stockpiling. Early in the year, it was stated by the President of the United States that the United States stockpiles of natural rubber had reached a high and "safe" level and that it might be possible to begin soon to taper off stockpile purchase of natural rubber. This statement, which had an unfavourable effect on the international rubber market, was followed, in early February, by the discontinuation of purchases of five of the lower grades of crude rubber. This restriction hit especially Indonesia, the major exporter of low grade rubber. By June 1952, a surplus stock of about 300,000 tons of low grade rubber had accumulated in Indonesian ports. As to high grade rubber, the change in the rupiah export rate and the introduction of the dollar exchange certificate in February

* Not including British Borneo, mainland China, Korea and Nepal for which data are not available.

VALUE OF EXPORTS

(Monthly averages)

Million dollars

	1950	1951		1952
	Jan.-June	Jan.-June	July-Dec.	Jan.-June
Raw material surplus countries				
Malaya	66.9	190.2	140.6	111.9
Indonesia	41.7	111.5	98.3	76.3
Pakistan	28.7	79.6	47.6	53.5
Philippines	23.7	40.1	28.2	31.4
Ceylon	22.5	36.0	30.9	29.0
Rice surplus countries				
Thailand	19.8	27.7	26.3	25.8
Burma	12.5	19.3	15.1	21.8
Indochina (Cambodia, Laos, Viet-Nam)	5.0	10.2	12.2	11.5
Other countries				
India	88.4	148.4	126.0	112.4
China (Taiwan)	6.5	9.6	5.9	11.6
Hongkong	42.3	82.6	47.4	38.5
Japan	53.8	110.3	115.5	113.9
Total	411.8	865.5	694.0	637.6
Total, excluding Japan	358.0	755.2	578.5	523.7

have increased the competitive power of the Indonesian product and forced down the price of rubber in Malaya.

The price of rubber in Singapore after a period of moderate fall during the latter half of 1951 dropped sharply during the first half of 1952. In the second quarter of 1952, it was 56 per cent lower than in the first quarter of 1951, the peak period. The volume of rubber exports from the region declined during the same period by 28 cent.

The decontrol of natural rubber in the United States was welcomed by the producing countries. However, rubber was decontrolled on the condition that the consumption of the synthetic product in the United States should not fall below a certain minimum, and that the Government-built synthetic plants should be kept in peak operation, for shifting quickly to emergency production if necessary. It is only within these limits that natural rubber is allowed to compete with synthetic rubber in the United States market. It was estimated that in 1951 synthetic rubber was preferred for products representing some 25 per cent of the total consumption of new rubber. The preference for natural rubber was about 30-35 per cent in tyres and other specialities. The remaining 45 per cent or less represented an area of indifference determined by price. The price of general purpose synthetic rubber has been reduced to 23 cents per pound since early March by the United States Reconstruction Finance Corporation (RFC) which controls the synthetic rubber industry. For the natural product the London price at the beginning of December 1952 hovered around 26d. or approximately 30 cents per pound (RSS).

As in the case of rubber, both prices and volume of exports of copra and coconut oil declined further during the first half of 1952. The prices of copra and coconut oil were about one third below the pre-Korean war level and one half of that in the first quarter of 1951, the peak period. The slackness in demand was due mainly to heavy inventories in importing countries in North America and Europe, to good harvests of cotton and other seed oil crops, and to increasing competition from babassu oil and synthetic detergents.

The prospect of the region's export of copra and coconut oil is rather uncertain. In Western Europe, except Germany, it appears that the per capita consumption is nearly at the pre-war level. In the United States, the development of synthetic detergents produced mainly from petroleum has restricted the use of fats and oils in the soap industry. The annual amount of coconut oil used by the soap industry, as reported by the Soap Institute, was reduced by one half between 1947 and 1950. On the other hand, the annual per capita consumption of synthetic detergents increased from 3 to 8 pounds during the same period. The three per cent excise tax on coconut oil imported from the Philippines also reduced its power to compete with other close substitutes produced in the United States. The price decline in copra and coconut products might be more than just temporary, and might reflect a long-term trend.

The slackening in the rate of purchases for stocks since late 1950 has reduced the demand for raw jute. The heavy purchases in the previous season, especially in several European countries, have greatly improved the stock position of foreign manufacturers. Moreover, there was a strong expectation of a very large jute crop in 1952/53, and the competition among the two jute exporting countries, India and Pakistan, was increasing. The price of raw jute in East Pakistan thus fell by 40 per cent in the first quarter of 1952 from the peak of the second quarter of 1951. The quantity of raw jute export from Pakistan was 16 per cent lower in the first half of 1952 than in the corresponding period in 1951.

In order to maintain prices of jute at a level which might ensure a fair return to the cultivator, the Government announced in late March 1952 a jute support scheme authorizing the Jute Board to buy jute at fixed minimum price. It is estimated that by the end of May, the Government had purchased about 330,000 bales of jute. Because of the low foreign demand, the Government was unable, however, to take up all the jute offered at the floor price and the minimum price had to be reduced by one fourth. Beginning 1 July, 1952, export duty on raw jute was substantially reduced.

As jute in Pakistan was planted when the price of raw jute was very high, it is expected that the coming new crop will be nearly as big as the previous crop. There is also a sizable amount of carry-over stock. Meanwhile, India, which normally buys large quantities of Pakistan jute, is well stocked and its own crop in 1952/53 is also expected to be large, as the trade difficulties between these two countries and the special levy on jute export to India have stimulated the expansion of jute plantation in India. Moreover, India is planning to promote its own raw jute sales in overseas markets particularly in North America. The lower exchange rate of the Indian rupee in relation to the Pakistan rupee helps India's jute export in competition with that from Pakistan. All these are uncertainty factors in the market outlook for jute.

The upward tendency in prices of raw cotton in Pakistan since October 1951 continued until the end of January 1952. However, increased selling pressure caused by larger arrivals from upcountry and the announcement of an Export-Import Bank Loan to Japan for United States cotton purchases during the current season checked the price rise. In addition, there was a substantial reduction of foreign demand mainly because of the textile recession. The cotton market at Karachi grew uneasy and broke sharply a few days before the end of January, resulting in the closure of the market for a few days toward the end of February. In order to maintain prices, the Government of Pakistan announced a price support scheme on 1 March authorizing the Cotton Board to buy cotton at fixed floor prices. Forward trading in cotton was suspended.

Although the Pakistan Government had by these measures maintained its internal prices of cotton, foreign demand shifted to other sources where prices had fallen more than in Pakistan. Meanwhile, cotton from upcountry continued to arrive in large quantities and heavy stocks were accumulated by both the Cotton Board and private traders. Cotton stocks at Karachi by the end of June were estimated at 550,000 bales as compared to 151,000 bales a year ago. The position had been aggravated by the abolition of the Egyptian export duty on cotton in May.

With a view to facilitating sales, the Cotton Board of Pakistan had introduced export subsidies since early April. It permitted sales abroad of certain varieties of cotton at prices below the government support levels and agreed to make good the difference to the exporter between the minimum prices and the actual export prices, provided the transactions had prior approval of the Board. The Cotton Board was also authorized to sell, for purposes of export, stocks held by it at 10 per cent lower than the support level. In August, the price support scheme was abolished.

Following the change in the buying policy of the United States, the price of tin metal improved further in early 1952, and remained remarkably stable during the first half of the year. In January 1952, an Anglo-American metals exchange agreement was concluded which involves the repurchase of the Malayan tin metal by the United States. According to this agreement the United Kingdom will in 1952 get about one third more steel and related metals from

the United States than was initially announced, and in turn, the United States will get 20,000 long tons of Malayan tin and 55.1 million pounds of Canadian aluminium. The agreed price of tin is $1.18 per pound, f.o.b. Singapore. The amount of tin metal thus supplied accounted for one third of the total Malayan production of this commodity.

The initial result of the agreement was to raise the domestic price of tin metal in the United States from $1.03 per pound to $1.2105 and to raise the price in Singapore by about 10 per cent between December 1951 and February 1952. The steadiness of the Singapore price during the subsequent months was chiefly due to the standing orders placed by the representatives of the British Government in its effort to fulfil the agreement with the United States. Purchase of Malayan tin by other countries, however, showed no increase.

In March another agreement on tin, a medium-term contract, was concluded between Indonesia and the United States, stipulating that the United States would buy 18,000 long tons of Indonesian tin a year. This agreement marks an important move in American commercial policy, as it covers a period longer than one year customarily accepted by the United States. For the first two years the price has been fixed at $1.18 f.o.b. Djakarta per pound which is the same as that agreed with the United Kingdom for the bulk sale of Malayan tin. The price for the third year will be discussed in 1953, in accordance with the market price then prevailing. The agreement also provides for an optional 2,000 long tons annually, which Indonesia is free to sell either to the RFC or on the free market. The amount of tin thus offered by Indonesia accounts for more than 60 per cent of its production.

The agreed price should thus set a floor limit to tin prices for the coming two years, and give producers confidence in maintaining and even expanding output.

In early August, the RFC ceased to be the sole importer of tin for the United States. The sixteen-month ban on private imports of tin ended; and tin metal may be purchased at any price. Controls of the domestic use of tin were also relaxed. The RFC, however, retained its right to buy and sell tin at the ceiling price of $1.2105 per pound. The American importers will be able to find customers for their metal only if they can offer it below this level. So far, American traders are not showing inclination to buy even at much lower prices than this.

Meanwhile, the British Government purchases were virtually completed. Demand from Continental Europe was also slack. However, it is generally believed that commercial stocks in the United States are low and it seems unlikely that American traders will be able to stay out of the market for long.

Analysis of Export Decline

Raw material exporting countries

The decline in export earnings varied from country to country, because of differences—and changes during the period—in the composition of exports. In Malaya, Indonesia and Pakistan raw materials form a larger share in total exports than in Ceylon and the Philippines where tea and sugar, in addition to several raw materials, are also important items.

The export earnings in dollars of Malaya, Indonesia and Ceylon decreased substantially during the first half of 1952. In Pakistan and the Philippines, the total value of exports in the first half of 1952 was higher than in the previous half year but still lower than in the corresponding period in 1951. In Malaya the decrease in the total value of exports can be explained almost entirely by the fall in the export price and export quantum of rubber which in 1950 accounted for about 60 per cent of Malaya's total exports. In Indonesia, the dollar value of rubber exports during the first half of 1952 did not decrease as much as in Malaya, owing partly to devaluation of the rupiah for export in February 1952 which stimulated Indonesia's rubber exports. In Pakistan, export of jute and cotton usually accounted for about 80 per cent of the total value of exports. In the second quarter, prices, quantity and value of jute and cotton exports were substantially reduced, and the total value of exports fell by more than one half from the first quarter. The decline continued in the third quarter.

Compared with the first half of 1951 (the boom period) so as to avoid seasonal variations, the decrease in total export earnings in dollars of these three major raw material exporting countries was especially striking. The decrease was a result of the fall in both prices and quantum of exports. For Malaya, statistics show that the 41 per cent decrease in total export earnings was the combined result of a 30 per cent fall in export prices and a 19 per cent reduction in the quantity of exports. In Indonesia and Pakistan, export volumes are also likely to have declined along with the fall in export prices.

In Ceylon, the decrease in total export earnings during the first half of 1952 would have been larger but for the stability of tea exports. In fact, the value of tea exports slightly increased because a larger export quantum more than offset the price fall. This, however, was partly seasonal. For nine months, the price of tea had been fairly stable, but fell substantially in March 1952. It rose again since June, but in August it was still below the pre-Korean war level. The fall in tea prices was due not so much to a decline in demand as to the marked increase in output in almost all the principal producing countries. The world demand for tea showed no significant deterioration; it may improve in the near future on account of the abolition of tea rationing in the United Kingdom, the world's largest importer. However, prices of tea have declined to a level at which a number of plantations are actually working at a loss not only in Ceylon but also in other tea exporting countries in the region, e.g. India, Indonesia and Pakistan. The relatively high costs of production mainly reflect wage increases during the boom. In Indonesia, several tea estates are reported to have closed down because of this unfavourable price cost development.

In the Philippines, the rise in exports in the first half of 1952 compared with the previous half year was due almost entirely to the considerable increase in sugar exports. For the first time in postwar Philippine trade sugar and related products outranked coconut products as the leading export, thus regaining their pre-war position. Exports of centrifugal sugar in the first half of 1952 were 28 per cent greater in volume and 26 per cent higher in value than in the first half of 1951. The production of sugar in the crop year 1952 increased by about 12 per cent. However, as sugar exports are seasonally low in the second half of the year, total exports during the remainder of the year are unlikely to reach the level of the first six months. Besides the general weakness of world prices and the slack demand for Philippine export products, the growing dollar shortage and the increasing competition from soft currency areas are of particular significance to the future of Philippine exports.

Unlike in Malaya (and probably also Indonesia and Pakistan), prices and quantum of exports in Ceylon and the Philippines moved in opposite directions, which mitigated the change (fall) in export proceeds. Thus the 20 per cent decrease in the total export earnings of Ceylon in

the first half of 1952 as compared with the first half of 1951 was the result of a 25 per cent fall in export prices accompanied by an increase of 9 per cent in the quantity of exports. Similarly, in the Philippines, the 21 per cent decrease in export proceeds was the result of a 23 per cent fall in export prices accompanied by an increase of 7 per cent in the quantum of exports.

Rice exporting countries

The rice-surplus countries have been much less affected by the recent changes in international markets than those surveyed above. Burma, where 80 per cent of total export earnings are derived from rice, was the least affected. It was followed by Thailand with 50 per cent and the three States of Indochina where the share of rice in total exports before the raw material boom was 50 per cent and 30 per cent respectively. While markets of most primary commodities were weak, rice has been one of the outstanding exceptions. The export prices of rice were raised in early 1952, the season when bulk trading contracts on rice are negotiated and concluded between governments, as demand was strong while allocations by exporting governments were reduced.

In Burma, early in the year, one half of the exportable surplus of rice was allocated for the first half of 1952. Two-thirds of the year's export will be undertaken by the government and one-third by private traders, as compared with 90 per cent and 10 per cent respectively in 1951. The export prices of rice on a government-to-government basis were fixed for each half year, and in the first half of 1952 they were about 11 per cent higher than in the second half of 1951. Rice for export by private traders is also provided, through tenders, by the State Agricultural Marketing Board; the price paid by traders may change from time to time depending on bids of those submitting tenders in foreign exchange. Under present conditions this price is always higher, usually by about 10 per cent, than the government trade agreement prices, thus bringing to the State Agricultural Marketing Board a larger profit per ton from its supply to private traders than from its direct sales to foreign countries. Even if the total quantity of rice exports should not be larger in 1952 than in 1951, Burma's total foreign exchange earnings will benefit from the higher export prices.

In Thailand, the baht value of rice export during the first half of 1952 was slightly lower than in both half year periods of 1951. It was predicted at one time that the exportable surplus of Thailand in 1952 would amount to 1.6 million tons. However, the government only allocated 800,000 tons of rice for export for the first ten months, the remainder to be kept as a reserve against possible local shortages and international disturbances. A small part of this reserved stock was released for export by October 1952. The allocations made in March were less than what had been wanted by the governments of importing countries, and prices were raised. For 35 per cent broken rice the ex-mill price was raised by 7.4 per cent above that for 1951. Prices for other grades were also adjusted. Export prices of private rice rose even more than this.

Other exports from Thailand show a declining trend since the first half of 1951, partly on account of the fall in the world price of the commodities concerned and recently only because of the currency appreciation which, at given world prices, reduces the baht proceeds of Thailand's exports.

Both the quantum and value of exports from the three states of Indochina decreased slightly during the first two quarters of 1952, on account of the low level of export of rubber and rice. The value of rubber exports declined because of the decrease in foreign demand and prices, while rice exports dropped owing to export restrictions.

It is reported that Viet-Nam and Cambodia expect to export at least 500,000 tons of rice this year with 60 per cent from Cambodia and the remainder from south Viet-Nam.

Whereas the centralized purchase of rice in Burma and the penalty exchange rate for export rice in Thailand have isolated—in the one case fully, in the other partly—the internal price of rice from the export price, this is not so in Indochina where the strong foreign demand has brought about rapid increases in the internal price of rice. At the end of May, 1952, rice prices in Saigon were reported to be 50 per cent higher than a year ago. As a counter-measure, both Viet-Nam and Cambodia imposed embargoes on rice exports in late May, but the export ban had little effect on prices.

Other countries

In Taiwan, rice counts less in total exports than sugar. The considerable increase in total exports for the first half year of 1952 was due to the (largely seasonal) expansion in sugar exports. While sugar exports will be much less, as usual, in the second half of the year, rice exports will increase. The first crop of rice was satisfactory, and exports will make more headway with the harvest of the second crop.

In India, the total export earnings decreased further in the first half of 1952 when they were about 11 per cent lower than in the second half of 1951. The increase in the quantity of exports could not offset the substantial fall in export prices. But in comparison with the first half of 1951 it was the fall in the quantum of exports rather than in prices which accounts for the lower export proceeds in the first six months of 1952.

The decrease in India's export earnings during the first half of 1952 was concentrated in the second quarter and was due mainly to the decrease in exports of "food, drink and tobacco" and "manufactured articles." Among the former, the decrease in tea exports was striking. It was due partly to the fall in prices and partly to the reduction in the quantity of export.

Jute manufactures, the largest export item, accounted in 1948 for more than one-third of India's total value of exports. Since October 1951 world demand for India's jute manufactures slackened. At the same time, the high export duties raised selling prices abroad. Substitutes were increasingly used in the United States and exports of jute manufactures from Continental Europe competed strongly with India's exports.

In order to enable the industry to improve its competitive position, the export duty on hessian was reduced by 50 per cent in February 1952. Foreign demand did not recover, however, with the result that stocks of jute manufactures remained high and that prices continued to decline. As a consequence the jute mills in India were forced to curtail production.

In order to promote exports, the quota restrictions on exports to soft currency countries were removed at the end of July, and licences are now issued freely. In early May, export duties on jute manufactures were again reduced, for hessian by about 73 per cent. Since this drastic reduction of the export duty, Indian exporters have been able to underbid competitors on the Continent of Europe.

It seems that the world slump in textile markets did not affect India as much as other industrialized countries. The value of export of cotton yarn and manufactures—

another large item in India's exports—maintained its level during the first half of 1952, through a moderate increase in the quantity of exports. Compared with 1950 and early 1951 the level of exports is low, however. Exports of cotton goods were deliberately restricted in 1951, with a view to maintaining domestic consumption. Recently, as a result of the decline in foreign demand and the improvement in domestic supply, quotas by destinations have been lifted for the time being. Restrictions on the export of cotton piecegoods to entrepot ports have been removed. The competitive position of the Indian industry in relation to other leading exporters is still relatively favourable—though India's price advantage is now smaller than in 1950—but demand is still weak.

Divergent Movements of Imports

Changes in Level and Composition of Imports

The total imports of 14 countries of the Far East (excluding British Borneo, mainland China, Korea and Nepal for which no data available) during the first half of 1952 amounted to $4,750 million; this was slightly less than in the preceding half year but still 9 per cent above the corresponding period in 1951 and 89 per cent above the half year period preceding the Korean war. Compared with the second half of 1951, the value of imports decreased in Malaya, Indonesia, the Philippines and Hongkong, but increased in all other countries. Compared with the first half of 1951, imports were lower in Malaya, Hongkong and Japan.

Many factors accounted for these divergent movements. The extraordinary increase in exports during 1950-51 had given rise to an increase of money income in several raw material exporting countries, and this had resulted in an expansion of imports. Moreover, the increased availability of foreign exchange had made possible the relaxation of import controls. With the abatement of the boom, exports and money incomes fell in many countries and import controls were tightened again. Overstocking of some commodities, especially textiles, tended to act as an additional brake on import demands. However, the actually recorded imports during the first half of 1952 reflect the demand for them at the time when orders were placed, and when the factors mentioned above had not yet fully made themselves felt. The difference in the degree of the previous income expansion, in the timing of changes in import and exchange controls, and in inventory levels largely explain the divergent movements in imports.

Another factor which is relevant in this context is the commodity structure of imports. In food deficit countries, such as Ceylon and India, the need for food imports is of paramount importance. As the demand for food is generally inelastic, a large change in disposable income may be accompanied by a small change in food imports. Furthermore, a crop failure within the country will result in an increase in food imports, although national income may fall. Imports of manufactured consumption goods, which constitute a substantial part of the total imports in most countries of the region, however, are sensitive to changes in income and inventories. Imports of raw materials which are highly responsive to changes in industrial production and in inventory are important only in India, Japan and Malaya.

VALUE OF IMPORTS

(Monthly average)

Million dollars

	1950 Jan.-June	1951 Jan.-June	1951 July-Dec.	1952 Jan.-June
Raw material surplus countries				
Malaya	60.9	135.6	123.3	110.8
Indonesia	24.5	44.0	90.3	68.8
Pakistan	22.7	41.9	47.2	60.2
Philippines	31.2	34.5	45.5	36.5
Ceylon	19.8	27.0	27.6	31.2
Rice surplus countries				
Thailand	15.2	18.7	19.4	28.8
Burma	6.8	10.3	12.6	14.5
Indochina (Cambodia, Laos, Viet-Nam)	14.0	19.8	31.0	39.5
Other countries				
China (Taiwan)	7.7	6.1	7.9	9.8
Hongkong	48.8	75.7	67.0	54.3
India	87.5	136.8	158.3	171.7
Japan	80.8	175.9	164.8	165.5
Total	419.9	726.3	794.9	791.6
Total, excluding Japan	339.1	550.4	630.1	626.1

Among the countries which showed larger imports, the increase was mainly on account of food imports in India and Ceylon, and on account of manufactured goods in Burma and Pakistan. In Thailand, the appreciation of the baht on the free market was probably the chief factor making for higher imports, while in China (Taiwan) and in the three states of Indochina the expansion of money incomes may have been decisive.

In India the increase in imports of "food, drink and tobacco" (of which food grain occupied a large share), which as compared with 1951 accounted for about 70 per cent of the total value increase in imports, was the result of larger volume and higher prices. The volume and value of raw material imports also increased because of the expansion in industrial production. The value of imports of manufactured commodities showed very little change from the second half of 1951, but imports of durable goods increased at the expense of consumer's goods. The increase in the import of several raw materials and manufactured goods was made possible by the relaxation in import control. For example, kerosene oil, petroleum, chemicals, drugs and medicines, electric machinery, prime movers and fuel oil are considered as essential items, and were imported more freely when import restrictions had been relaxed towards the end of 1951 and in early 1952.

Ceylon is another food deficit country. But unlike India, Ceylon has only limited manufacturing facilities and has to import a substantial amount of manufactured goods from abroad. During the first half of 1952, one half of the increase in the total value of imports was accounted for by the increase in food items whose prices had risen substantially, while the other half consisted of manufactured goods, particularly vehicles, for which orders had generally been placed in 1951 or even earlier.

In Burma, the more liberal import policy was the chief factor in the expansion of imports. The rise in the value of imports during the first half of 1952, as compared with 1951, was due largely to the increase in imports both under open general licence and under special licences.

The total value of imports of Pakistan increased during the first half year. Among the various items, imports of cotton textiles, machinery and vehicles increased substantially. The main factors making for higher imports were: (a) the resumption of trade relations with India resulting in a normal inflow of commodities from the country, (b) a liberal import licensing policy as effective 1 July, 1951,

which helped to translate increased internal incomes into a rising demand for imports.

In Thailand, where import control is not extensive, changes in imports mainly reflect changes in international prices, exchange rates and in national income. In February, the Bank of Thailand lowered its selling rates of pound sterling to commercial banks from 51 to 45 bahts, which is equivalent to an appreciation of the baht by 11.8 per cent. As this rate was the predominant rate of exchange for commercial imports, it had the effect of stimulating imports by making them cheaper in terms of local currency. However, on 1 April, the government announced that import duties be evaluated on invoices in baht, by the use of free market exchange rates instead of official rates. This change which resulted in an increase in the duty, made imported goods dearer and partly offset the effect of the currency appreciation on the free market. During the first half of 1952, the dollar value of imports increased by 48 per cent from the previous half year; this increase added further to already heavy stocks.

Among the countries which showed a decrease both in the volume and value of imports during the first half of 1952, the decrease in raw material imports was important in Malaya and that of consumption goods (chiefly manufactured) in the Philippines and probably also in Indonesia.

In Malaya, where Singapore is not only an entrepot, but also a processing centre for raw materials, the reduction in the total value of imports during the first half of 1952 was largely due to the fall in both prices and quantity of raw materials including rubber imported for processing and re-export.

In the Philippines imports declined chiefly as a result of lower imports of consumption goods. The decrease is only partly attributable to the reduction in the foreign exchange allocation for imports of controlled commodities. The fact that there was also a reduction in imports of decontrolled commodities and that imports of a number of controlled articles were below the permitted level indicates that the demand for imports had declined; this is explained by overstocking and, perhaps, by a decrease in disposable income. For example, the reduction in imports of dairy products and canned meat which were not under control was clearly due to over-stocking. On the other hand, the value of imports of raw materials and capital goods increased because of high requirements of local industries.

In Indonesia, although the value of imports in terms of local currency increased, it decreased in terms of dollars, as there was a change in the valuation of trade. The dollar value of imports in Indonesia during the first half of 1952 fell by about 26 per cent from the previous half year. Fewer textiles and basic metals were imported partly because of over-stocking. Expenditure on food imports was maintained, but as food prices have risen, the volume of food imports must have been reduced.

Imports of Capital Goods

The value of imports of capital goods into 12 countries of the region from the United States and the United Kingdom continued to increase during the first half of 1952. The unit value of finished manufactures exported from the United States rose only slightly during the period, but the U.K. unit value index of exports of metals and engineering products rose by 6 per cent from the second half of 1951 and was 26 per cent higher than before the Korean war. After correcting for price changes, imports of capital goods from the United States during the first half of 1952 increased by 3.5 per cent as compared with the second half of 1951, and were 17 per cent larger than during the half year preceding the Korean war. This increase probably reflects the orders placed during the boom period 1-1½ year ago. Capital goods imports at constant prices from the United Kingdom, however, were just maintained, but they were still about 8 per cent higher than before the Korean war. Preliminary information shows that imports of capital goods from Japan during the first quarter of 1952 decreased both in value and volume, and the absolute amount was very small as compared with those from the United States and the United Kingdom.

Among the various groups of goods, imports of vehicles from the United States and the United Kingdom which had increased considerably during 1951 declined in 1952, while imports of metal and metal manufactures, electrical goods and apparatus, and machinery and parts increased.

During the postwar years British exports of capital goods to the region consisted largely of textile machinery chiefly for India and Pakistan, whereas the United States supplied mainly food processing machinery to the Philippines and India, construction machinery to India and Indonesia, and power generating plant to India, Indonesia and the Philippines. Japan exported textile machinery to Pakistan, internal combustion engines to India, and ships to the Philippines. Malaya and Indonesia imported mainly transport equipment, especially commercial vehicles. In Pakistan, textile machinery was the leading import item, reflecting the drive to build up the textile industry of the country.

Sterling area countries of the region have imported capital goods mainly from the United Kingdom, while the Philippines and Indonesia have imported such goods mainly from the United States. Thailand has been the only country in the region where European and American exports could compete fairly freely. Its imports of capital goods from the United States which had been negligible before the war increased considerably during the post-war years and exceeded by far those from the United Kingdom in the first half of 1952. During this period exports of capital goods from the United Kingdom and the United States to most countries of the region showed an increase in volume, but those to India and Hongkong a decrease.

Japan as a supplier has so far shared only very little in the increased demand of the countries of the region for machinery and equipment, although Japanese production of a majority of engineering items considerably exceeded pre-war levels in 1951. Domestic needs for rehabilitation and modernization, so far, absorbed almost the whole of Japan's output. The weak competitive position of Japanese products on account of high costs has been another retarding factor. However, so far as delivery periods are concerned, Japan compared favourably with the United States and the United Kingdom.

Exports of capital goods from Germany to the region (excluding China and Hongkong) increased sharply and exceeded the pre-war level, but still lagged far behind the two major supplying countries. The increase in German exports resulted mainly from the revival and rapid progress of engineering production, from the shift of orders from the United Kingdom to Germany on account of the more normal delivery periods in the latter country, and from Germany's improved access to markets due to the spreading network of trade agreements and to greater sterling transferability through the European Payments Union.

The future development of imports of capital goods into countries of the region depends on the rate at which development plans get under way, and the extent to which foreign finance will be available. There are no signs that

the present fall in export earnings and in government revenues is retarding development activities and the new import restrictions are not so much on capital goods as on consumption goods.

The Colombo Plan gives some indication of the probable trend of capital goods imports for an important part of the region. The expected direct increase in imports of capital goods resulting from the implementation of these plans was estimated, for the four Commonwealth countries, i.e. Ceylon, Malaya, India and Pakistan, at some $200 million annually. This figure may be compared with the total value (at constant prices) of imports of capital goods into these countries from Europe, the United States and Japan in 1950, which amounted to $550 million. It would appear from this comparison that the development envisaged in the Colombo Plan means a comparatively large addition to the imports of capital goods from industrial countries.

Import Policy

With the collapse of the commodity boom in early 1951, the balance of payments position of many countries in the region started to deteriorate. As the foreign exchange reserves of the countries in the region are rather small, and prospects for export markets still uncertain, many governments have adopted measures to restrict imports, in order to make the best use of their limited foreign exchange resources. In the Philippines, foreign exchange allocations for imports were reduced. In the sterling area countries, import restrictions were tightened, especially in view of the deterioration in the reserve position of the sterling area as a whole. In Pakistan, restriction of imports by increased import duties was adopted in addition to direct controls. In Indonesia, both quantitative restriction and restriction through devaluation-cum-multiple-exchange-rates were carried out.

The tightening of quantitative import restrictions

The deterioration in the reserve position of the sterling area as a whole in early 1952 had caused concern to almost all countries in the area. As members of the sterling area, Ceylon, India, Malaya and Pakistan tightened their controls particularly over imports from the dollar area. Ceylon in late August removed 19 dollar items from open general licence, including textiles, radios and wireless accessories, and refrigerators. Four weeks later, Ceylon announced further import restrictions for a variety of goods, mainly from the dollar area and the non-sterling EPU countries.

India adopted stricter import control for the second half of 1952, particularly with respect of goods from the dollar area. Nearly 50 items from the dollar area under open general licence have now been transferred to the soft currency open general licence. In October India put a ban on the import of 61 items including bicycles, razor blades, radio sets, china and porcelain.

In March 1952, the government of Pakistan tightened import licensing for the dollar area. Fifteen categories of commodities that previously could be imported from the dollar area have been excluded from the new list of licensable imports from that area. There was a tendency to remove from such list, those items that can be readily obtained from soft currency areas or from countries with which Pakistan has concluded trade agreements. In August, import controls were again tightened, mainly for goods imported from non-dollar areas; about 40 items were removed from the open general licence list, including cotton yarn and piece-goods, jute manufactures, matches, bicycles, paper and timber. Items not on the open general licence list were licensed within the limit of foreign exchange allocated and released by the government. In November the Government went still further by suspending O.G.L. No. 14 under which items such as metals, machinery, cement and chemicals could be imported freely. The Government have made it clear however that this measure should not impinge on "essential" industrial requirements.

As a result of decisions reached at the Commonwealth Finance Ministers' Conference in London, additional restrictions have been applied since February to imports into Malaya, in order to keep the 1952 imports to the level of 1951. All imports from the United States, Canada and American-Account countries, and Japan continue to be subject to special permission on each and every occasion and are to be reviewed from time to time. Imports of some luxury items from Japan were banned as Japan's sterling balances were too high. Imports from all non-sterling sources other than "neighbouring territories" are now subject to individual licences instead of being unlimited under the O.G.L. In August, a few more items of imports from hard currency sources were practically prohibited.

The comfortable balance of payments position enabled Burma to maintain its liberal import licensing policy, especially with respect to the non-dollar area. Import control, however, still applies to items competing with local production, and it is also used for the purpose of assuring the Burmese nationals a fair share in the import trade. Furthermore, in view of the implementation of plans for capital development, complete dismantling of import controls is unlikely.

Among the non-sterling area countries in the region, the Philippines and Indonesia also tightened their exchange and import controls. In the Philippines the foreign exchange allocation for controlled imports was reduced. In anticipation of a decline in export receipts, the Central Bank certification of foreign exchange for controlled imports was lowered from $222 million for the first semester of 1951 to $190 million for the first semester of 1952 and to $160 million for the second semester. The actual reduction in imports of controlled goods during the first half of 1952 accounted for more than one half of the reduction in the total value of imports.

In August, in order to encourage local production and conserve dollar exchange, the government of the Philippines placed complete or partial ban on the importation of 23 items, largely light manufactured goods (including cotton yarn, zippers, plastic combs, tooth-brushes, etc.). Notwithstanding the reduction of foreign exchange allocation for imports during the second half of 1952, an adequate flow of essential imports is expected during the rest of the year, as decontrolled goods will continue to be imported without any exchange limitation and an increasing volume of essential producer goods is expected to arrive under the Mutual Security Agency programme.

In Indonesia, in early June, the Government announced that foreign exchange would no longer be available for 22 classes of luxury goods (including high-valued motor-cars, watches and furnitures) even at the inducement rate (five times of the old official rate).

The new multiple currency practice in Indonesia

The deterioration in the balance of payments and the increase in the budget deficit have led the Government of Indonesia to devalue the currency further and to introduce a new set of multiple exchange rates for imports in August. Under these regulations, imports are classified into four categories and differential rates of exchange were applied to them: Foreign exchange for imports of essential goods will be granted at the basic rate of 11.40 rupiahs to the dollar. To obtain exchange for importation of goods considered less essential, the importer must obtain a 100 per cent inducement certificate, which in effect raises the rate

for these goods to 22.80 rupiahs to the dollar. Luxury goods for which foreign exchange will still be made available are subject to a 200 per cent inducement certificate. The effective rate of exchange for items on this list would therefore be 34.20 rupiahs to the dollar. The fourth category includes luxury goods for which no foreign exchange will be made available.

This device is expected to reduce the demand for imports and to bring in more revenue from the sale of exchange certificates.

The increase of tariff rates on textiles in Pakistan

Changes in tariff rates were not popular in postwar years as a method of import restriction, probably because of the long legislative procedure involved and the governments' commitment under the GATT. They have, however, the advantage over direct import restrictions that they raise revenue unless they are prohibitive. The recent increase of import duties on textiles in Pakistan is worth mentioning. In order to balance the budget and protect the nascent cotton textile industry, the Government of Pakistan in late June 1952 raised the import duty to 60 per cent on cotton piecegoods from countries other than the United Kingdom. The import duty on grey textiles from the United Kingdom has been raised from 36 to 54 per cent and that on cloth of United Kingdom origin from 30 to 55 per cent. The 6 per cent preferential treatment is maintained for the United Kingdom imports. The increase of import duties on textiles has not yet resulted in a rise in prices, as stocks are still high.

The Deterioration in Terms of Trade and Balance of Payments

Changes in Terms of Trade

The price relationships prevailing during the boom of 1950-51 changed in the subsequent period. The substantial fall in raw material prices reduced their purchasing power over food and manufactured goods. Within the group of manufactures, the prices of textile products fell while those of engineering products continued to rise. Thus the raw material exporting countries of the region suffered a substantial deterioration in their terms of trade. During the first half of 1952, the terms of trade of the three raw material exporting countries, namely Ceylon, Philippines and Malaya, were about 25 to 40 per cent below the peak levels they had reached in the second half of 1950 or the first half of 1951.

Ceylon, with its large food imports, suffered most and its terms of trade deteriorated further in July and August. Malaya's terms of trade losses came next because Singapore, as an entrepot and processing centre, is a substantial importer of raw materials so that it regained on the import side at least a part of the price losses on exports. Considering only exports of domestic produce and imports for domestic use, the terms of trade of Malaya may have deteriorated more.

As a result of the increase in rice prices, the terms of trade of the rice exporting countries have improved, especially in Burma where the proportion of rice in the total export is the largest. India's terms of trade worsened, chiefly as a result of rising prices of imported food and of falling prices of textile exports.

Moreover, as rubber, tin, jute and jute manufactures were largely exported at falling prices to the dollar area, the "terms of trade with the dollar area" of the countries which exported those commodities must have deteriorated more than their over-all terms of trade, thus contributing to the deterioration in their balance of payments with the dollar area. In this regard, the sterling countries in the region and, therefore, the sterling area as a whole, was particularly affected.

The deterioration in the terms of trade has been a factor making for a reduction in the real income of the countries concerned; this has been particularly important in countries where foreign trade bears a high relation to total economic activity.

The Enlargement of Trade Deficits and the Regional Trade Pattern

The balance of trade of almost all countries of the region deteriorated further during the first half of 1952, as a result of falling exports and in some cases—higher imports. The only exceptions from the general trend were Burma, China (Taiwan), where the improvement which led to a small export surplus was largely seasonal, Hongkong and the Philippines. In the remaining countries trade deficits increased during the period, and surpluses diminished or were converted into deficits. If one sums up the trade balances of all the countries, the general deterioration becomes evident by comparison with the preceding periods.

Of the countries which had deficits, those of India and the three States of Indochina were particularly large. In India both the fall in exports and the increase in imports were important factors contributing to the further decline in the balance of trade since the second half of 1951. In Indochina higher imports induced by inflation were mainly responsible. Thailand had a trade deficit for the first time in the postwar years; it was attributable to the fall in receipts from exports of rubber and tin, and to the appreciation of the currency. Indonesia was the only country which inspite of a somewhat lower trade balance retained a significant export surplus; the depreciation of the rupiah export rate had helped to mitigate the decline in the balance of trade. Of all the countries Japan showed the smallest negative movement in its trade balance during the period.

As regards trade balances with various areas, the region's (12 countries excluding China (Taiwan) and Japan) deficit during the first half of 1952 with the major part of the dollar area—the United States and Canada—was almost twice as large as in the second half of 1951, chiefly because of the substantial increase in imports from North America. A very considerable part of this deficit was accounted for by India's import surplus arising from large purchases of food and raw cotton from the United States. In contrast to the trade with North America, the region's exports to Japan increased more than imports and resulted in a smaller trade deficit. A large part of the increase in the region's exports to Japan was attributed to the seasonally large exports of cotton from Pakistan. The region's trade balance with the United Kingdom changed from a surplus to a deficit in the first half of 1952, chiefly because of the substantial decrease in exports to the United Kingdom from most countries of the region, especially India, Indonesia and Malaya. Owing to a larger decrease in exports than in imports, the region's trade surplus with other sterling area countries outside the region was considerably reduced and its trade deficit with Western Continental Europe substantially enlarged.

Changes in Balance of Payments and Foreign Assets

The balance of payments of several raw material exporting countries and of India deteriorated during the first

half of 1952, chiefly on account of the negative trend in the balance of trade. Foreign asset holdings also generally declined, and their purchasing power over imports is now lower in some countries (India and Ceylon) than at the end of 1949; India's exchange reserves are smaller even in current value.

Preliminary balance of payments statements are available for only six countries, namely Ceylon, Pakistan, the Philippines, Burma, Thailand and India; they will be dealt with below first for the three raw material exporting countries, then for the two rice exporting countries, and finally India.

Raw material exporting countries

The sudden change from a large export surplus to a large import surplus in Ceylon resulted in the first half of 1952 in a considerable depletion of official and banking institutions' short-term foreign assets; this trend continued in the third quarter. By the end of September 1952 the value of these assets was 24 per cent lower than at mid-1951 and only as high as at the end of 1949. The reserves acquired during the boom period were thus entirely lost, though present holdings are still about double the "reasonable" minimum of Rs. 450 million. This rapid depletion of foreign assets caused concern to the monetary authorities, and exchange restrictions were tightened again since September, withdrawing all relaxations introduced a year ago.

Owing mainly to the considerable reduction in the trade surplus, the large surplus on current account of the balance of payments of Pakistan in the first half of 1951 had changed to a small deficit of Rs. 75 million in the second half of the year. This deficit increased to Rs. 389 million in the first half of 1952, owing to the low level of exports and the continued expansion of imports. As a result, the foreign assets with the State Bank of Pakistan fell by Rs. 467 million within one year. The low level of exports was due to the abatement of the commodity boom and to the textile slump which reduced considerably the demand for and prices of Pakistan's major export commodities, jute and cotton. The continuous expansion of imports was induced by the previous rise in money incomes and the liberal import licensing policy. In addition, the price support schemes have had a doubly unfavourable effect on the balance of payments. While on the one hand "the prices offered internally were out of tune with international prices, exports were unduly restricted"; on the other hand, "internal incomes have been sustained and saved from a corresponding fall so that the pressure on imports has not been sufficiently eased." The price support schemes, which retarded the process of adjustment of the balance of payments, were abolished in August. They afford an example of how difficult it is for an export economy to maintain both a stable income and an equilibrium in its balance of payments in the face of a sudden and large change in world demand.

Statements of Pakistan's balance of payments on current account, classified by currency areas, are available for the two successive fiscal years, 1950/51, the year of commodity boom, and 1951/52, the year of abatement for the boom. The statistics show that in this period there was more than a threefold increase in the deficit with the dollar area and an almost sixfold increase in that with the sterling area, especially the United Kingdom. The surplus with Continental Western Europe was reduced by one half, while that with Japan changed to a large deficit. However, although Pakistan had a deficit with the dollar area to the extent of Rs. 259 million in 1951/52, this was largely offset by the surplus with the Continental O.E.E.C. countries (+ Rs. 220 million). Within the sterling area, the United Kingdom in 1951/52 had to settle in gold a substantial part of its deficit with the European Payments' Union. Pakistan's surplus with the Continental O.E.E.C. countries, therefore, offset part of its dollar deficit and so eased the dollar drain on the United Kingdom.

In the Philippines, the balance of payment position improved during the first half of 1952 and the downward movement in international reserves which started in July 1951 appeared to have been temporarily checked. The improvement was a combined result of several factors: (1) an increase in export earnings because of an exceptionally large volume of sugar export, (2) a decrease in imports arising from lower demand for imports, and from smaller foreign exchange allocations for controlled imports, (3) an increase in the United States government expenditures and (4) a reduction in other invisible payments both because of smaller dollar allocations for travel and of a decrease in remittances on investments probably reflecting higher reinvestments in the domestic economy. Of these factors, the decrease in imports and the increase in the United States government expenditures (including military expenditure and veterans' administrative payments) were especially significant.

Notwithstanding the improvement, the balance of payment during the first half of 1952 compared unfavourably with the corresponding period in 1951 when there was a sizable surplus chiefly on account of a large trade surplus. Looking forward to the second half of 1952, the Central Bank of the Philippines anticipates no substantial changes. A major decline in export receipts is expected, as sugar export will be reduced on account of the termination of the milling season; a heavier export volume of abaca and coconut, in view of prevailing low prices, cannot offset in value the seasonal decline in sugar. The Central Bank has therefore reduced the foreign exchange allocation for imports, so that on balance the reserve position at the end of 1952 may not show a significant change. However, the foreign exchange assets with the Central Bank and the commercial banks were reduced again in the third quarter.

Rice exporting countries

While several raw material exporting countries experienced an unfavourable movement in their balance of payments, Burma showed an improved position during the the first half of 1952, as reflected by the increase in the country's foreign exchange reserves. Both exports and imports increased, with a positive balance somewhat reduced as compared with 1951. The increase in the total value of exports resulted chiefly from the higher prices obtained for rice. The expansion in imports was attributable more to the greater volume of imports than to an increase in the average prices of imports. The considerable increase in imports of producers' goods and technical services under the United States Technical Cooperation Administration (TCA, formerly ECA) improved the country's stock position and productive capacity. In view of the sizable foreign exchange (especially sterling) reserves and the favourable prospect for the balance of payments, the government is intensifying its development effort. Burma is now also looking upon foreign enterprise in a more favourable light than it did immediately after independence. The Ministry of National Planning has recently announced that foreign investment in Burmese enterprises would not be nationalized for a period of 25 years. This change in policy will help to reduce the repatriation of foreign capital or even to encourage its inflow.

The large surplus on the current account of the balance of payments of Thailand during 1951 was reduced to a little over one-tenth in the first half of 1952. The most

important item responsible for the change was the considerable reduction in the merchandise surplus, a result of (a) the declining earning power of Thailand's rubber, tin and other raw material exports, (b) the expansion of imports consequent on the increase of national income, and (c) the appreciation of the baht which stimulated imports but impeded exports. Other international transactions of Thailand in the period under review included large drawings on loans granted by the International Bank, and sales of sterling by the Bank of Thailand and the commercial banks. On the other hand, Thailand added to its short-term dollar assets, and there was also a net inflow of monetary gold.

India

India in the first half of 1952 had an external deficit with respect to goods and services of Rs. 902 million, about a hundred million less than in the previous half year. The trade deficit was higher, but this was more than offset by an increased surplus on services. In comparison with the first half of 1951, however, when India had a surplus of Rs. 79 million with respect to goods and services, the position has deteriorated, due entirely to the increase in the deficit on merchandise account. Two thirds of the increase in the trade deficit since the first half of 1951 are traceable to lower exports, one third to higher imports.

A part of the deficit with respect to goods and services was covered in the first half of 1952 by remittances from overseas Indians, and by the aid provided by the governments of Australia, New Zealand and Canada under the Colombo plan. After allowing for these receipts and for capital movements, and allowing also for errors and omissions, there still remained a deficit of Rs. 693 million which required compensatory financing, as compared with Rs. 1,288 million for the previous half year.

The United States Food Loan of Rs. 320 million financed almost one half of this deficit. Drawings on foreign exchange assets were of the same order as for the previous half year, and the foreign exchange reserves with the Reserve Bank of India showed a decrease. In short, barring unknown factors under errors and omissions, India's large trade deficit during the first half of 1952 was financed by the United States Food Loan, by the aid received under the Colombo plan and by drafts on sterling balances. This was necessary in view of the food shortage and the requirements for development.

As regards balances with various currency areas, there was during the first half of 1952 a considerable reduction in the surplus on current account with the Sterling area other than Pakistan, chiefly because of the fall, partly seasonal, in exports of cotton textiles, tea and other commodities. As to the balance on current account with Pakistan, the previous deficit turned into a sizable surplus, on account of a reduction in imports of raw jute and an increase in exports of cotton textiles and other manufactured goods. In relation to Pakistan, India's terms of trade improved substantially. The favourable shift in the current account with Pakistan offset the unfavourable shift in transactions with the rest of the sterling area, and resulted in an improvement of India's balance on current account with the sterling area as a whole. With the dollar area there was a further deterioration in the current account, arising mainly from large imports of food and raw cotton. India's deficit with continental OEEC countries was reduced due chiefly to the effects of stricter import control.

International Trade and Payments of Japan

The monthly deficit in Japan's visible trade was on the average lower in the first half of 1952 than in 1951. In 1951 Japan's trade deficit had grown. The quantum of exports was the same as in 1950 if one takes the year as a whole, though there were sharp upward and downward movements from quarter to quarter. As the terms of trade had improved relatively to 1950, these exports had an increased purchasing power over imports to the extent of 12 per cent. The actual quantum of imports, however, had expanded by more than was gained by the better terms of trade, and this in conjunction with the rise in the general level of international prices explains the increase in the trade deficit in 1951.

By mid-1952 the quantum of imports had risen still further while the quantum of exports had not shown much change since 1951. The adverse effect on the balance of trade of this relative increase in the volume of imports from January to June 1952 was more than offset, however, by price effects: namely by the sharp fall in the general level of international prices and by some further improvement in the terms of trade (as against the average of 1951).

However, on closer inspection it appears that the better showing of the trade balance during the first half of 1952 was entirely due to favourable changes during the first quarter. Since then the tendency has been distinctly downward. At the end of 1951 the terms of trade, which at that time stood above the average for the year, began to turn against Japan; since then they have gradually worsened. Moreover the quantum of exports after its initial rise at the beginning of the year fell off later on. In the second quarter, these two factors, in conjunction with the further expansion of imports, gained the upper hand. The consequent decline in the trade balance continued in the third quarter, although imports were lower.

It is obvious from this brief summary that the fall in the foreign demand for Japanese goods has now become an important influence. Insofar as this shows in the quantum of exports, some fall had occurred already in the early summer and autumn of 1951; had it not been for the Anglo-Japanese agreement which gave a temporary stimulus to trade, it is probable that mid-1951 would have marked the turning point. In the meantime, the secondary effects of the recession in world markets—i.e. the effects of import restrictions—have come into play, and are contributing a good deal to the shrinkage of exports. The fact that the sharp decline in exports since April 1952 is entirely accounted for by falling sales in sterling countries and in the open account area, whereas dollar exports have kept up, is probably an indication of the growing importance of import restrictions. More recently exports to the open account area have become steadier, possibly in response to successive trade agreements with Brazil, Indonesia and Thailand.

What is most striking however is the terms of trade effect of the decline in the demand for Japanese exports. That the terms of trade of a country exporting mainly industrial goods should deteriorate in a period of falling prices of primary products is rather exceptional. In the case of Japan this peculiar phenomenon is traceable to a

number of circumstances which between them make up the essential features of Japan's post-war trade.

The first is the heavy dependence on dollar commodities, the prices of which have fallen much less on the average than the prices of primary products supplied by other countries. The dependence on the dollar area, which also explains Japan's latent dollar shortage, has been lessened somewhat in recent months when purchases were switched to sterling countries. But it is still a factor that counts heavily, particularly in combination with a second factor, viz. the high relative importance of textiles in Japan's export trade. In spite of a definite shift towards producer goods, textile exports (including silk, rayon, staple fibres, woollens, etc.) still accounted in 1950 for almost half the total exports. Since in the course of the recent recession —which to no small extent was a textile recession—the prices of textiles fell sharply, not only in terms of other manufactures but also in terms of wheat and even cotton, the terms of trade of Japan were bound to deteriorate. In the preceding period—that is, during the Korean war boom—Japan had raised export prices of textile products sharply, both absolutely and relatively to the cost of materials, whereas the quantum of Japanese textile exports had shown only a small expansion compared to that of other major suppliers, particularly India and the United States. When the boom collapsed in 1951, the price reaction was strong; the quantum of Japanese textile exports, after an initial drop in mid-1951, subsequently recovered and reached peak levels for most items at the end of the year or early in 1952 when the decline was resumed. By the autumn of 1952 (August) exports of cotton piecegoods had fallen by 44 per cent from their average level in 1950 and 1951, and the ratio of exports to output had declined from about one half in 1950 to roughly one third.

Next to textiles, metal and metal products are important items on Japan's export list. If machinery is added, the combined share of this group in total exports was about 28 per cent in 1950, as against 15 per cent before the war. In the period up to 1950/51, Japan was successful in finding larger markets for these products. A good deal of this success, however, was based on ability to supply at short notice, and not on cost advantages, and was therefore rather precarious. In the case of machinery, the quotations for Japanese plant, electrical equipment, trucks, rolling stock, and ships (but not textile machines) "stood hopelessly higher than those of the competitors." Already in 1951 these equipment exports lost ground; they had not been very large in any case. The situation was similar with regard to the quantitatively more important group of metal and metal goods, which includes iron and steel. The cost of steelmaking in Japan is high, partly because of the use of obsolete equipment, particularly in the rolling mills, and partly because of the extraordinarily high price of pig iron. Steel prices in Japan are therefore substantially above the level in Western industrial countries. In spite of this handicap Japan exported increasing quantities of steel during the period of the Korean war boom when there were few alternative sources of supply; these exports fetched prices that were usually well above the domestic level (though not necessarily above international prices). Nonferrous metal products made in Japan found markets during that period although they were even more expensive relatively to prevailing international prices. All this changed, when towards the end of 1951 and during 1952 supply conditions in Western countries eased and markets became more competitive. Since then, Japanese producers have been forced to make very heavy price concessions. In the case of steel most Japanese export quotations—in contrast to American and European—are now well below domestic prices, so much so that, a few years after the abolition of price control, the question of subsidizing steel and steel products has become an important controversial issue. No doubt, these price concessions have helped to prevent a more serious fall in the foreign demand for Japanese products. The cost to the economy as a whole shows in the deterioration of the terms of trade to which the fall in the purchasing power over imports of Japanese metal and metal goods has contributed.

Looking back, the setback which Japan's export earnings suffered on account of these developments has been mild when compared with the losses of the raw material producing countries of the area. Moreover, since the share of exports in total output is much lower in Japan than in those other countries, Japan's losses due to the foreign trade recession so far were of smaller relative importance. But this is not to imply that the fall in export earnings, if it continues, will not have significant effects on the economy. Up to now, the recession in exports did not impair the liquidity position of Japan. In fact, the foreign currency holdings of the Central Bank continued to increase until the summer of 1952 when they were higher than at any time before. External reserves accumulated in spite of the deficits in merchandise trade and in private invisible transactions. Extra dollar income from military sources (including special procurements and expenses of United States forces) covered these deficits and left something over for strengthening the reserves. A slight reduction in external assets for the first time occurred in the third quarter of 1952; the main reduction was in sterling assets while dollar reserves kept on rising.

Looking ahead the trading outlook is very uncertain. The consumer goods exports of Japan are increasingly exposed to import restrictions, the full effects of which have yet to show. The tentative estimates of the Economic Council Board, which anticipate a payment deficit for the fiscal year April 1952—March 1953 already allow by implication for a decline in exports in the second half of the year as compared with the first half. Taking a longer view, due weight must also be given to the underlying precariousness of Japan's international economic position. Military procurements which are paid for in dollars can hardly be regarded as a permanent or as a steady source of income. They veil, and temporarily help to bridge, the overall deficit in current commercial transactions as well as the latent deficit in the dollar accounts. As this extra income is tapering off, its replacement will demand an increase in commercial exports, both visible and invisible. Moreover, the current level of import is still very low by pre-war standards: it is only about half of what it was before the war while industrial production has since increased by 40 per cent. Admittedly, a part of this fall in the ratio of imports to total production must be regarded as permanent, namely insofar as it reflects a change in the industrial structure. Various heavy and chemical industries, which depend less on imports than other industries, have grown in importance, and there has also been a substitution of domestic raw materials, such as timber and scrap iron, for supplies from abroad. Yet there can be little doubt that an increase in the national consumption level which is still materially lower than before the war is conditional upon more imports.

Japan's main problem therefore is to find markets for many more exports under difficult and highly competitive conditions. The advanced industrial countries are not likely to offer additional outlets on which Japan could rely. Although exports to these countries, particularly to the United States, are quite considerable, they consist very largely of marginal items which are not essential to the economy of the receiving countries. They are sensitive to small changes

in prices and incomes, and can easily be dispensed with by the receiving countries. On the whole, trade with the under-developed countries of Asia and the Middle East, Latin America and Africa, seems to hold out better prospects. However, as a supplier of these countries Japan is at present handicapped by two main circumstances. In competition for these markets, Japan may have a cost advantage in many light industries over the more highly industrialized countries. But in respect of just these goods, Japan is meeting increasing competition from indigenous production which is usually protected. With the products of the heavier industries and particularly with capital goods, it is the other way round. They should offer more opportunities in under-developed countries whose demand for capital goods far exceeds local production. Yet in the majority of the industries concerned—though certainly not in every one of them—Japan cannot at present compete in price with Western countries; as pointed out before, Japanese costs of production are too high. Nevertheless, to promote these exports, as well as exports of the more complex durable consumer goods, is Japan's main task. To bring its solution nearer presupposes the further development of the Japanese economy itself and a substantial improvement in production techniques.

REPORTS FROM MALAYA

Malayan Film Production

News-films about Malaya made by the Malayan Film Unit had a wide showing in the United Kingdom and the U.S.A. during the first six months of this year. Thirty British and 15 American commercial newsreel issues carried Malayan items. Television viewers in the United Kingdom saw 18 Malayan stories and in the U.S.A. two television chains used a total of 14 stories about Malaya. An idea of the oversea audience which now sees Malayan film news can be got from knowing that a single British newsreel issue is seen by approximately ten million people and one American newsreel by about 17 millions. There are between one and two million television sets in use in the United Kingdom, and in the U.S.A. the audience for one television newsreel is estimated at 50 millions.

The Malayan Film Unit sent altogether 20 news items oversea from January to June this year and none was unused by either the commercial newsreels or television. The most successful story was about the resettlement by river of Malays in Kelantan. Two British and five U.S. newsreels used it as well as B.B.C. television and two U.S. television networks. M.F.U.'s latest film "Tomorrow is Theirs", about Malayan youth, has been accepted by a British commercial company for distribution in the United Kingdom on a revenue-earning basis. It has also been acquired by the United Kingdom Government for showing in foreign and Commonwealth countries. This is the fifth Malayan Film Unit film to be placed in commercial distribution in the United Kingdom since the beginning of the year.

Industry & Labour

There is a creeping shadow of trade depression apparent throughout the country. The market price of tin has steadily, even dramatically, declined, while rubber has ranged around the almost critical price of 65 cents. This price is critical only in relation to the prevailing high cost of running the estates and should there be an immediate and substantial reduction in these there would be few complaints from the rubber producers if their products remained somewhere in the 65 to 75 cents' range.

Among other industries, logging and sawmilling, cigarette and cigar manufacturing and tailoring are now conscious that good times and high prices are shades of the past; in short, business is bad.

There are further reports of closure among Chinese tin mines in Perak; due once more to the present prices rendering the working of low-yielding properties uneconomic.

It is still hard to arrive at a specific appreciation of the extent to which Malaya's industry is affected by the present depression, as conditions and circumstances vary so greatly from place to place, and estate to estate; nor will any clear picture emerge until the details of employment and unemployment on every estate over 100 acres—now in the process of being compiled—throughout the whole of Malaya are dealt with by the Government.

Statistics of great importance i.e., unemployment in New Villages, arising largely from the decreasing tin price, are being compiled. From observations so far made it is clear that unemployment, already present, is heavily on the increase in these New Villages, Chinese tin mining labour being the first to suffer; that Malay labour is increasingly returning to domestic occupations in their own kampongs; and that the Indian labouring population, still in a state of local "fluidity", has not so far felt the impact of any general unemployment. Cases still occur, in fact, particularly in the North and East, of local demands for this type of labour remaining unsatisfied.

Mining Industry

The price of tin metal fell rapidly during the first half of April but there was a partial recovery during May. During those months there were many, comparatively violent, fluctuations in the daily tin price. The price further declined, steadily, during June to $339.75 on June 29, the lowest on record since July, 1950. The steady decline continued down to $300 on July 16.

The production of 13,484 tons of tin concentrates during the second quarter showed a decrease of 563 tons below the production of the first quarter. The production for the first half of 1953 was 27,531 tons, compared with 28,200 tons for the corresponding period during 1952.

The steady decline in the number of Chinese-owned gravel pumps operating continued during the second quarter, when there was a nett decrease of 54 such mines. Up to May, inclusive, the aggregate production from such mines showed a slight increase, month by month. Production,

however, declined sharply in June, indicating that the more readily accessible portions of higher-grade ground in such mines were becoming exhausted. 349,990 tons of iron-ore were produced during the second quarter, almost wholly from the Bukit Besi mine in Trengganu. This compared favourably with the production of 167,038 tons during the first quarter.

The total production of other minerals was: Coal 80,737 tons, raw gold 3,794 troy ozs., scheelite 8 tons, wolfram 34 tons, iron ore 349,990 tons, ilmenite 4,050 tons, china clay 278 tons, columbite 10 tons and bauxite 23,630 tons.

Rubber

Production on Federation estates and smallholdings in June (long tons, dry weight) amounted to 46,241 (47,592 the previous month)—273,896 for the first six months of the year. Stocks of rubber on Federation estates of 100 acres and over at the end of June amounted to 17,484 long tons (dry weight) —17,012 when the month began. Foreign exports of rubber from the Federation during June (and to Singapore—including foreign ports with transhipment at Singapore) totalled 44,366 long tons (dry weight) —43,032 the previous month and 291,506 for the first half of the year. Ocean shipments of prepared latex from the Federation during June totalled 2,723.82 dry tons.

Malaya's Foreign Trade

Figures released by the Registrar of Malayan Statistics show imports for July amounting to S$268,704,783, while exports totalled $265,089,973 and ships' stores & bunkers were valued at $8,217,403. The excess of imports amounted to $3,614,810 as compared with an excess of over $5 million in March, the lowest adverse balance previously, and a deficit of over $25 million in June, the highest over the seven months.

Exports for July of $265 million, excluding ships' stores & bunkers, came third highest for the seven months, those for January and March each having exceeded $280 million.

Exports to the USA in July amounted to $43,639,770 and to Great Britain were valued at $43,033,524. Imports from Indonesia came highest with $62,471,352.

Over the period January-July 1953 the total trade deficit amounted to $86,503,857. The cumulative total of imports was $1,896,951,094 and of exports $1,810,447,237 excluding ships' stores & bunkers. Ships' stores & bunkers over the seven months were $58,840,213.

Population of Malaya

The population of Malaya as on June 30 this year totalled 6,829,124, representing an increase of 118,243 from the end of 1952. The Chinese population exceeded all others with a total of 3,013,415, the first time the 3 million mark has been exceeded.

Detailed figures as given in Government statistics published recently are as follows: Malays 2,941,560 (41,984 more than 1952), Chinese 3,013,415 (45,848 more), Indians 752,727 (28,394 more), Europeans 30,505 (335 more), Eurasians 22,982 (215 more) and others 67,935 (1,467 more).

Of the total Malayan population, 1,123,172 were in Singapore and 5,705,952 in the Federation of Malaya.

Of the total Singapore population, 137,697 were Malays, 860,509 Chinese, 87,224 Indians, 16,075 Europeans and 11,131 Eurasians.

Of the total Federation population, 2,803,863 were Malays, 2,152,906 Chinese, 665,503 Indians, 14,430 Europeans and 11,851 Eurasians.

WHEELOCK MARDEN & COMPANY, LIMITED

701/7 Edinburgh House, P.O. Box 85, Hong Kong
Cable address: WHEELOCK HONG KONG

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The Wheelock Marden Group have offices in New York, Tokyo, Yokohama, Kobe, Osaka, Shanghai, Singapore, London and principal cities in the U.K.

NOTICE

NORTH BORNEO RAILWAYS

Aerial Cableway

Tenders are invited to purchase (F.O.B. Jesselton) one power operated aerial cableway installation with 696 feet span to handle one ton loads. Hourly capacity 16 tons. One man control from travelling cabin which runs on endless cable. 25 h.p. Diesel engine. Head and tail masts 45 feet high.

This equipment was used by the Makers for a short time for experimental purposes, but has been thoroughly reconditioned, and has not been in use since.

The North Borneo Railway Department does not bind itself to accept the highest or any tender.

Tenders should be received by the General Manager, North Borneo Railways, Jesselton, British North Borneo, not later than 30th November, 1953.

NOTICE

THE HONGKONG & YAUMATI FERRY CO., LTD.

Notice is hereby given that an Interim Dividend of THREE DOLLARS per share on the Company's Issued Capital has been declared payable on the 26th October, 1953, free of tax.

Notice is also given that the Share Register of the Company will be closed from Monday the 19th October, 1953 to Saturday the 24th October, 1953, both days inclusive.

Dividend Warrants will be issued at the Registered Office of the Company, No. 144-148 Des Voeux Road, Central, 1st Floor, Hongkong, on and after the 26th October, 1953.

By Order of the Board,

LAU TAK PO,
Managing Director.

Hongkong, 23rd Sept., 1953.

THE HONG KONG JOCKEY CLUB

FIRST RACE MEETING

(To be held under the Rules of the Hong Kong Jockey Club)

Saturday, 10th October & Monday, 12th October, 1953

THE PROGRAMME WILL CONSIST OF 22 RACES.

The First Bell will be rung at 1.30 p.m. on the 1st Day and the First Race run at 2.00 p.m. On the 2nd Day the First Bell will be rung at 11.30 a.m. and the First Race run at 12.00 noon. The tiffin interval is after the Fourth Race (1.30 p.m.).

The Secretary's office at Alexandra House will close at 11.45 a.m. on the 1st day and at 10.00 a.m. on the 2nd day.

MEMBERS' ENCLOSURE

NO PERSON WITHOUT A BADGE WILL BE ADMITTED.

All persons MUST wear their badges prominently displayed throughout the meeting.

Admission Badges at $10.00 each per day are obtainable through the Secretary on the written or personal introduction of a Member, such member to be responsible for all visitors introduced by him.

Tiffins will be obtainable at the Club House if ordered in advance from the No. 1 Boy (Tel. 72811).

NO CHILDREN will be admitted to the Club's premises during the meeting. For this purpose a Child is a person under the age of seventeen years, Western standard.

PUBLIC ENCLOSURE

The price of admission will be $3.00 each per day payable at the Gate.

Any person leaving the Enclosure will be required to pay the requisite fee of $3.00 in order to gain re-admission.

MEALS & REFRESHMENTS will be obtainable in the RESTAURANT.

SERVANTS

Servants must remain in their employer's boxes except for passing through on their duties. They may on no account use the Betting Booths in the Members' Betting Hall.

CASH SWEEPS

The cost of a Through Ticket is $44.00. Through Tickets reserved for this meeting but not paid for by 10.00 a.m. on Friday, 9th October, will be sold and the reservation cancelled for future meetings.

There will be a Special Cash Sweep on the Kwangtung Handicap to be run on the 1st Day. The cost of each ticket is $2.00.

Cash Sweep Tickets may be obtained from the Cash Sweep Offices at Queen's Building, (Chater Road), 5 D'Aguilar Street and 382 Nathan Road, until 10.00 a.m. on both days.

TOTALISATOR

Backers are advised not to destroy or throw away their tickets until after the "all clear" signal has been exhibited.

ALL WINNING TICKETS AND TICKETS FOR REFUNDS MUST BE PRESENTED FOR PAYMENT AT THE RACE COURSE ON THE DAY TO WHICH THEY REFER, NOT LATER THAN ONE HOUR AFTER THE TIME FOR WHICH THE LAST RACE OF THE DAY HAS BEEN SCHEDULED TO BE RUN.

PAYMENT WILL NOT BE MADE ON TORN OR DISFIGURED TICKETS.

Bookmakers, tic tac men, etc. will not be permitted to operate within the precincts of the Hong Kong Jockey Club.

By Order of the Stewards,

H. MISA,
Secretary.

HONGKONG ROYAL OBSERVATORY

From the Annual Report 1952-53

A long-standing need was met during the year by the establishment of new weather stations on Waglan and Cheung Chau Islands, manned by trained observers and in direct radio-telephone communication with the Meteorological Office at Kai Tak Airport. Owing to the mountainous nature of the Colony, the weather in the approaches is often very different from that in the harbour and at the airport, and although Waglan and Cheung Chau are only 12 miles and 14 miles respectively from Kai Tak, the weather reports from these islands undoubtedly contribute to the safety of aircraft approaching or leaving Hongkong in bad weather. With the installation at King's Park of radar wind-finding equipment, which is now on order, the Colony will possess very complete and up-to-date facilities for routine surface and upper-air meteorological observations.

Weather forecasting, however, depends on the collection of data over a wide area, and until gaps in the network of surface and upper-air reporting stations in surrounding regions are filled, the full benefit of the observing facilities in Hongkong will not be realized. The absence of weather information from the mainland of China continued to be the greatest difficulty with which forecasters had to contend.

The sea areas for which routine 12-hourly forecasts are issued by the Observatory were extended by the inclusion of the Eastern Sea and the waters between Formosa and South Japan, as requests for forecasts for these additional areas had become very numerous.

It has been possible since the war to maintain a very high standard of qualification for entry into the Scientific, Technical and Computing staffs of the department, and the training and experience gained by post-war recruits is now resulting in a marked improvement in the work of the Observatory.

The Year's Weather (1952)—The year 1952 was notable for certain extremes of temperature. In February, during the onset of a very strong monsoon surge, temperature fell 40.5°F from a maximum of 80.3°F on the 15th, the highest ever recorded in January or February, to a minimum of 39.8°F on the 19th, the lowest figure since 1925. In May unusually warm weather was experienced, the mean temperature of 80.4°F for the month being the second highest on record. Again in November unseasonably high temperatures occurred; the highest daily mean previously recorded (71.9° in 1948) was exceeded on 14 days. On the whole, the year was slightly warmer than normal, with a mean temperature of 73.0°F against the average of 72.0°F.

The distribution of rainfall was markedly irregular. With the exception of April, June, August and September, all months were drier than usual. In September the total rainfall, 844.2mm., was a record for the month, exceeding the normal by nearly 580mm. So great was this excess that despite a deficiency of rain during the early months of the year, the total annual rainfall was 391.5mm. above normal.

Fog, which is usually prevalent in spring, was less frequently observed in 1952.

Although no fewer than 28 typhoons and tropical storms were reported over the western North Pacific and the China Sea during the year, none very seriously affected Hongkong. A slow-moving tropical storm passed about 120 miles to the SW of the Colony on the 11th—12th June; strong winds blew for no less than 34 hours, accompanied by heavy rain, and the total of 155.9mm. on the 13th was the maximum fall in one day during the year. From July to October the Colony was threatened by typhoons on 8 occasions. None passed sufficiently close to cause sustained gales in Hongkong, but a gust of 66 knots was recorded at the Observatory on 27th August as a typhoon passed about 300 miles to the south.

Meteorological Observations—Surface Observations: Routine observations of the following elements were made at each hour of the 24 at the Observatory:—barometric pressure, dry-bulb and wet-bulb temperatures, wind direction and speed, cloud type, amount and height, visibility and weather. Continuous records were maintained of barometric pressure (Short and Mason microbarograph), temperatures (Negretti and Zambra distant recording thermograph), wind direction and speed (Dines anemograph, sunshine (Campbell-Stokes recorder), and rainfall (Dines Tilting Syphon rain recorder).

Maximum and minimum temperatures were both read daily at midnight Hongkong Standard Time. Earth temperatures at the depths of one and four feet were read daily at 07h and 19h Hongkong Standard Time. The grass minimum thermometer was set daily at 19h and read at 07h Hongkong Standard Time.

Upper Air Observations: (a) Pilot Balloon Ascents: The determination of upper winds continued to be made four times daily, whenever the sky was sufficiently clear, by pilot balloon and single theodolite observations at the recommended international times of 03, 09, 15 and 21h G.M.T. (b) Radiosonde and Radar Wind Ascents: Observations of upper air temperature and humidity were made daily at the Radiosonde Station at King's Park, using Kew Mark II radiosondes.

Observations of upper winds by means of radar were carried out successfully on 176 days in co-operation with the Army.

The results of upper air soundings, which are required by forecasting and aviation weather services, were passed to the Meteorological Office, Kai Tak, and broadcast to other weather centres. They were also utilized in the preparation of artillery meteor messages, 278 of which were issued to the Services during the year.

Outstations: The construction of weather observing stations on Waglan and Cheung Chau Islands was completed by the P.W.D. during the year, the cost being met from a Colonial Development and Welfare grant. The buildings also house radio beacons under the Department of Civil Aviation. Both islands are ideally situated in the approaches to the airport and harbour.

The weather station at Waglan was opened on 1st December, 1952, and that at Cheung Chau on 1st January, 1953. They are manned by Computers from the Observatory, who take turns in carrying out a tour of duty of one month on each island. Weather observations were made at half-hourly intervals, from dawn to dusk; the reports were passed direct to the Meteorological Office, Kai Tak, by radio telephone, and were broadcast for the benefit of aircraft in flight.

The Marine Department staff on Green Island and R.N. personnel at Tai O and Port Island continued to transmit regular weather observations to Kai Tak. The lighthouse keepers at Waglan, who for many years carried out re-

gular weather observations, handed over this task to the Observatory staff on the Island.

Routine observations continued to be made at Kai Tak.

Rain gauges were installed on Yung Shu Wan on Lamma Island; Ngong Ping on Lan Tau Island; Lok Ma Chau Police Station; Cheung Chau Weather Station; Ma On Shan Iron Mine; Stanley Prison; Cable and Wireless Station at Cape D'Aguilar; St. Stephen's College; Kap Sing Lighthouse; Green Island Lighthouse; Lam Tong Lighthouse.

Rain gauges were returned from Tates Cairn and Cheung Chau coast watching station.

Altogether there are now 50 raingauges distributed throughout the Colony.

Forecasting Organization—General: All forecasting services, with the exception of the storm warning service located at the Observatory, were carried out at the Meteorological Office, Kai Tak Airport. The almost complete lack of information from the mainland of China made reliable forecasting very difficult, but every effort was made to utilize to the full all available sources of weather information in the remainder of the region. A considerable increase in the total number of ships' reports was of great value. It is very fortunate that tropical storms and typhoons approach from seaward and not from the land, so that the storm warning service is but little affected by the lack of information from the mainland.

Communications: Meteorological communication services were provided by Cable and Wireless Ltd. Synoptic weather reports from other countries, reports from aircraft in flight and weather information from other air terminals were received by Aeradio, Kai Tak. A considerable increase in the amount of meteorological data available in the Far East has taken place during the year as post-war plans have been realized; approval has been given for the appointment of additional wireless operators at Aeradio to enable all the required information to be received.

Weather reports from ships at sea, and from Pratas and Macao, were received at the Observatory Wireless Station (OBW), and through Naval channels. The radioteletype equipment for the automatic reception of the Guam weather broadcast was invaluable, though some trouble was experienced at night owing to unsuitable frequencies.

Weather Reports from Other Countries: Synoptic weather broadcasts, including surface and upper air data, were received regularly from India, Pakistan, Burma, Thailand, Indochina, Malaya, Indonesia, Australia, Philippines, Fiji, Pacific Islands, Japan, Korea, Russia, Macao, Pratas and the Paracels. In addition meteorological information from Formosa and adjacent islands has been freely broadcast, and intercepted locally, since August 1952. Unfortunately meteorological observations from Communist China are still unobtainable, but forecasts for sea areas received from Shanghai Observatory were useful during the winter.

Hourly weather reports were received from all the important weather stations on the air routes from Hongkong, either through aviation broadcasts or point-to-point channels.

Weather Reports from Ships and Aircraft: The information received from land stations was supplemented by a large number of weather reports from ships at sea and aircraft in flight. Reports were also received from the Hongkong Flotilla in local waters.

Weather Charts: For forecasting purposes the following charts were drawn daily at Kai Tak: (a) Surface Charts for 00, 03, 06, 09, 12, 18 and 21h G.M.T. (b) Upper Level Charts for the 850, 700, 500 and 300mb. levels at 03, 09 and 21h G.M.T. (c) The results of the daily radiosonde ascents at Hongkong, Saigon and Okinawa were plotted in the form of tephigrams.

At the Observatory four marine charts showing all the ships' weather reports received at Hongkong, and a selection of land stations, were drawn each day.

Hongkong Meteorological Broadcast: Surface and upper-air synoptic weather information was broadcast every three hours, day and night, for the benefit of other weather centres by the Cable and Wireless radio station at Hung Hom (ZCU). Monthly reports on the quality of the transmission were received from other weather centres in S.E. Asia, indicating that neighbouring countries receive this broadcast regularly and find it useful. An additional frequency, for use at night, was introduced in January and reception at the more distant stations was thereby considerably improved. Since January, reports of earthquakes recorded at the Observatory have been included on this broadcast.

Storm Warning Service—Non-local Warnings: Whenever a tropical cyclone was located within the Hongkong area of responsibility, storm warning bulletins were issued at 6-hourly intervals, giving the position, speed and direction of movement of the storm centre. These warnings were broadcast on all meteorological transmissions, and were also displayed by means of visual signals on Blackheads Hill.

The American system of naming tropical storms and typhoons was adopted in July. Although it may be felt that a feminine name is hardly appropriate for so impressive a thing as a typhoon, the system works well and avoids confusion when more than one storm is in existence at the same time.

Local Warnings: The local storm warning system was brought into effect whenever a tropical cyclone threatened the Colony. Increasing use was made of the strong wind signal during the summer, for the purpose of warning small craft of the onset of strong winds which were not expected to reach gale force; in this way unnecessary use of the No. 1 signal, leading to dislocation of work in the harbour, was avoided as far as possible. No sustained gales were experienced in the harbour during the year, although many notable storms occurred in the western North Pacific and the China Sea.

Weather Service For Merchant Shipping—Shipping Weather Bulletin: Forecasts for the following sea areas were broadcast twice daily from Cape D'Aguilar (VPS):—A Shanghai to Foochow; B Formosa Strait; C Hongkong and neighbourhood; D South China coastal waters; E Gulf of Tonkin; F Luzon Strait; G China Sea north of Lat. 10°N.

From May 1952, forecasts for the following additional areas were included in the broadcast as routine: W Luzon Strait to Loochoos; X Eastern Sea; Y South of Japan.

Forecasts for area Z (Yellow Sea) were issued on request.

Weather Information from Ships at Sea: No less than 24,807 weather reports were received from ships at sea during 1952. On 11th June, when the first tropical storm of the season was active in the China Sea, 162 ships' weather reports were received—a record number for a single day. The value of this voluntary co-operation on the part of ships' officers can hardly be exaggerated.

Liaison with Merchant Shipping: 202 ships were visited in the harbour by the Marine Liaison Officer; 95 ships' officers visited the Observatory and 161 ships' barometers were checked. Instructional circulars and the current notices concerning the marine forecasting and storm warning services were given wide distribution among ships and shipping interests.

Hongkong Voluntary Observing Ships: At the end of the year the fleet totalled 60 ships, comprising 25 selected ships, 25 supplementary ships and 10 "other" observing ships. Six of these ships were fitted with special-

ly designed rain-gauges, and maintained rainfall records during their voyages. 14,349 weather reports and 191 completed meteorological log books were received from Hongkong voluntary observing ships.

Fleet Weather Service—The Observatory continued to act as a weather centre for the Royal Navy in this area. Marine forecasts, synoptic weather messages, analyses of weather charts and storm warnings were supplied as routine as in previous years, and special forecasts and upper air information were provided on request.

An increased amount of weather information was obtained from Naval sources; 2,465 weather reports were received from H.M. ships at sea, and valuable reports of local weather were received from coast watching stations and craft of the Hongkong flotilla.

Aviation Weather Service—General: A 24-hour observing watch was maintained at the Meteorological Office, Kai Tak, with a forecasting watch from 05h until 20h local time. There was little change in the number of forecasts required by aircraft and other air terminals, but the demands were spread rather more uniformly throughout the hours of daylight, and rush hours presented less of a problem than formerly. Two forecasters were on duty during the early morning, and one throughout the rest of the day. As the staff at the Meteorological Office has to provide forecasting services not only for civil aviation but also for merchant shipping, the Armed Forces and the general public, its time is very fully occupied, and no increase in commitments can be undertaken with the present staff. Close liaison was maintained with the staff of the Department of Civil Aviation.

Information Received: The greatest improvement in this connexion came with the opening of the weather stations on Waglan and Cheung Chau islands. Reports from these stations, with those from Green Island and the Naval Coast Watching stations, provided a very good picture of conditions in the approaches to the airfield. At times of bad weather Waglan and Cheung Chau reported half hourly and Green Island hourly. Since regular weather reports are now available from no less than 8 stations within the Colony, a large-scale chart covering the area was plotted every 6 hours. Rainstorms located in the neighbourhood by military radar sets were also plotted on this chart.

There has been a considerable increase in the amount of information available in the Far East; particularly valuable were the observations from Formosa and adjacent islands, and the 21h G.M.T. observations from Burma and Indochina. Aircraft in flight transmitted 1,245 reports per month on the average; this figure again shows a slight decrease over that for the previous year.

Information to Aircraft: All outgoing aircrews were briefed before departure and were supplied with flight forecasts in the standard form. An Area Meteorological Watch over the Hongkong Flight Information Region was maintained between 05h and 20h local time. This is adequate for the majority of flights, but does not provide full cover for the occasional aircraft arriving overhead before dawn or over-flying Hongkong. Of the 780 forecasts to aircraft in flight approximately half were passed by radio-telephony, which is becoming increasingly popular; the remainder were passed by radio-telegraphy.

Sub-Area Meteorological Broadcast: This broadcast continued throughout the year, conforming closely with I.C.A.O. recommendations. Transmissions were made half-hourly from 22h to 10h G.M.T. until October when the time of commencement was brought forward to 21h. Because of the increased use of radio-telephony by aircraft a plain language sub-area broadcast was started in January. The schedules and contents of this broadcast are the same as for the wireless telegraphy broadcast. Aircraft requiring weather information outside these hours were supplied on a request-reply basis over air to ground communication channels.

Information exchanged with other Air Terminals: Hourly weather reports, route and terminal forecasts and reports from aircraft continued to be exchanged as routine or on request with Singapore, Saigon, Bangkok, Manila, Okinawa, Tokyo, Taipeh, Rangoon and Macao and occasionally with other weather centres in the area. No information was exchanged with China.

Weather Services for the Royal Air Force: Flight forecasts, local area forecasts, copies of the current synoptic charts, half hourly actual weather reports and reports on upper air conditions were provided as routine. An Experimental Officer from the Air Ministry was attached to the Observatory for liaison purposes, and took part in forecasting duties.

Weather Services for the Public—Meteorological Broadcasts and Reports: Each day, broadcasts from Radio Hongkong of local forecasts were made five times in English and four times in Cantonese. The general situation was broadcast four times a day in English and twice in Cantonese. Forecasts were also relayed four times daily by Rediffusion. A weather report and broadcast were issued each night and morning for publication in the morning and afternoon newspapers. Storm warnings and special statements concerning typhoons were disseminated by Radio Hongkong, Rediffusion and the Press.

Educational: During the year 1,112 students, representing 38 classes from 22 different schools, visited the Observatory. A talk on the weather was given in Cantonese over Rediffusion by a member of the Observatory staff.

Climatology: The hourly values of all the meteorological elements were tabulated, and a summary prepared monthly for inclusion in the Government Gazette. About 40 copies of monthly rainfall and evapotranspiration charts for the Colony were lithographed and distributed to departments concerned and to rainfall outstations. A revised edition of Meteorological Records and Climatological Notes, covering a 60-year period, was published. The printing of the annual volumes of Meteorological Results is considerably in arrears; Part II for 1949 was published during the year, Part I for 1950 is in the press, while Part II for 1950 and Parts I and II for 1951 and 1952 are ready for printing. A summary of the daily surface and upper-air observations was sent each month to the United States Weather Bureau for inclusion in the northern hemisphere charts published by the Bureau. Summaries of the upper-air observations were sent regularly to the Air Ministry, London.

Outlook—The rapid development of aviation in recent years has given a tremendous impetus to the science of meteorology; elaborate weather organizations have been set up in all civilized countries, new instruments and methods of observation have been devised, research has been pressed forward, and much knowledge has been gained, particularly of upper-air conditions. The demands of aviation have resulted in a great expansion of the meteorological work of the Observatory, and the day to day routine of providing weather reports, forecasts and storm warnings for the Colony itself, and for the sea and air routes radiating from it, rightly takes first place in the activities of the department.

Much of the research work undertaken is also directed towards a better understanding of weather processes and the improvement of the standard of forecasting. Meteorology is of such immediate practical importance that other sciences of a more academic kind, such as seismology and terrestrial magnetism, must take second place, though they

WATSON'S AERATED WATER INDUSTRY OF HONGKONG

Messrs. A. S. Watson & Company's name has for many years been closely associated in Hongkong with three departments, the Pharmaceutical, Wine & Spirits and the Aerated Water Industry. Only one of the Company's activities will be dealt with in this account, the Aerated Water Industry. This section of the firm's activities is very progressive, and would seem to be steadily expanding with value to the community.

The manufacture of soda water is now an old industry as it was started over one hundred years ago in England by Joseph Priestley, a Birmingham Unitarian pastor and, at the same time, a scientist. Since his day the making of carbonated water has grown into a highly organised and technical industry.

Hongkong has always been receptive in regard to household amenities, and it is not surprising that in the earlier days of the Colony the inhabitants eagerly welcomed a "safe" water which A. S. Watson & Company were able to supply. Because of this progressive step the firm has long been associated in the minds of residents with the manufacture and sale of aerated waters, and today it is internationally recognised that the reputation of A. S. Watson & Company stands high in both the United Kingdom and America as being in the forefront of aerated water manufacturers. This reputation stems not only from the point of view of production and sales volume per factory, but also from the high standard of excellence of the firm's products.

A. S. Watson & Company's Aerated Water Factory was established as far back in the Colony's history as 1858 but in 1867 the factory was moved to Queen's Road near the present King's Theatre site and at the same time factories were opened in conjunction with the Company's branches at Amoy, Foochow, Shanghai, Tientsin, Hankow and Canton. It was soon found necessary to transfer the Queen's Road plant to more commodious premises and a fine factory was established on the location now known as Windsor House.

During these years of operation, the Company passed through successive phases of development in the industry, from the earlier somewhat elementary and mainly material processes of water treatment, gas production, bottle washing and filling to the present use of specially designed equipment and high speed machinery, coupled with streamlined methods of production and rigid inspection in all phases of preparation.

In view of the substantial increase that has occurred in the population of the New Territories in recent years, the Company decided that it was essential to establish a separate factory to cater fully for the needs of that community. The Kowloon Plant, which is situated on the main Kowloon City Road, near Kai Tak airfield, was completed two years ago and can rightly claim to embody the most up-to-date improvements. The design of the building, the general lay out of the plant covering some 60,000 square feet and the type of equipment installed, have already received high tribute from several leading representatives of the American Beverages trade.

All the plant and equipment is of the most modern highspeed design, with provision for rigid inspection of every operation at appropriate stations along the conveyor line. A feature of special interest is the recently developed Girdler Carbon Dioxide plant, which was the first of its kind in Hongkong and is capable of producing 500 lbs of liquid carbon dioxide of 99.977% purity per hour.

For the satisfactory production of a high quality carbonated beverage, it is imperative that the water supply conform with very rigid standards as to purity. However excellent a Municipal water may be, minute particles of silt, mud, iron or small plant life may be picked up in the city mains which, if not eliminated, might materially affect the flavour of the product. Close control of purity standards is maintained through frequent regular tests supported by independent analytical examination and report from the Government laboratories. Water, after purification, is stored in glass-lined steel tanks and subjected to de-aeration for the extraction of all air normally in solution, as it is only through this process that true carbonation can be accomplished.

During the course of the world war, it has been stated that billions of bottles of carbonated beverages were supplied to the Allied troops in various theatres of war, especially through the American Army. It was, therefore, natural that consideration was ultimately given to the possibility of establishing mobile Aerated Water factories in the field to deal with this requirement, which led to the designing of the Girdler Carbon Dioxide Plant embodying radical advances in production of extremely high quality by means of equipment occupying relatively small space.

While A. S. Watson & Company have been the first in the Far East to take advantage of the development in the Girdler Plant, the Company has maintained the utmost hygiene throughout their entire plant. Walls in the building are covered with glazed tiles with special tiling for all floors. The syrup room and laboratories are completely sealed and air-conditioning installed to prevent entry of dust and other impurities so that the factory while offering the finest possible aerated water, also affords a useful additional outlet for employment in Kowloon. It can be fairly claimed that no detail has been overlooked in making the plant one of the most up-to-date in the Far East.

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should not be neglected if the Observatory is to build up a reputation as a scientific institution.

The department is in fact primarily a weather centre, as is inevitable in a great commercial port such as Hongkong. All the effort expended in providing weather services to shipping and aircraft is fully justified, for the safety of lives and property is involved. But one is inclined to wonder whether other sections of the community are making full use of the improved meteorological facilities now available, largely as a result of the demands of aviation. Agriculture, for instance, depends no less than aviation on the weather, and its importance cannot be denied; after all, one must eat though one need not fly. Water-supply, heating and lighting, housing, industries of various kinds—indeed almost all human activities—are affected to a greater or less extent by climate and weather. The field of applied meteorology is thus a very wide one, and there are many ways besides forecasting in which the meteorologist can provide information of use to the community.

A considerable number of requests for climatological information are dealt with by the Observatory every year. Rainfall statistics have been published for the benefit of waterworks engineers and farmers; an investigation into the water needs of crops is in progress; inquiries from textile manufacturers and air-conditioning engineers regarding temperature and humidity have been answered; the problem of smoke-pollution has been studied. But much more could be done on these lines. A vast amount of information on climate and weather is stored in the Observatory library, and the technical knowledge is available to apply this information to specific questions.

THE HONGKONG ELECTRIC CO., LTD.

The Company was incorporated on 24th January, 1889, and was then given a contract from Government to supply 50 arc lamps for street lighting and a pump to raise water to the Peak. Prior to 1889 electricity was unknown in the Colony.

Records in the possession of the Company which survived the war years disclose that the work of erecting engines and boilers commenced in June 1890 and the supply under the contract began on 1st December 1890. Owing to a defect in the design of the lamp hoods the lighting was interrupted during the second week of supply, but after the defects had been remedied the lamps proved so satisfactory that 14 more were lit in the following May, with a further contract to supply 11 more, and by the end of 1891 75 street lamps were lit and over 600 incandescent lights. There were two further interesting events of this period—a contract to light Government House was signed in December 1891, quarters for the Station Staff were completed in April 1892.

Subsequently developments rapidly led to increased demands on the generating capacity of the undertaking. The original site of the power station was at the top of Wing Fung Street in Wanchai, and the station consisted of 2-25 K.W. steam sets.

By the end of 1891 the site had been extended eastwards for some distance and a tank holding 140,000 gallons of water was erected, not only to save coal by condensing the steam from the engines but also because of the great difficulty in procuring water for the boilers owing to drought. The North Point Station now uses upwards of 50,000 gallons of sea water a minute for condensing purposes alone.

Additions to the plant were made in 1898 and 1900 and in the latter year we find on record the now familiar words "the new engine and boiler were not delivered in time". By 1912 the plant had been increased to 525 K.W.

As Diesels were coming into their own the Company placed orders for 3 x 175 K.W. sets followed by 4 x 375 K.W. sets, the largest sets to be manufactured at that time. Three years later the plant was found to be insufficient to meet the demands and frequent mechanical breakdowns were occurring.

It was therefore decided to purchase a piece of the foreshore at North Point and the Company made the first big reclamation in that district in order to build the new Generating Station. This was opened in 1921 with a capacity of 2 x 1,500 K.W. sets. At that time the station stood in solitary state in that area with the exception of The Royal Hongkong Yacht Club. It is now the centre of a thriving business, manufacturing and residential area.

The demands for electricity grew steadily until by 1941 the station had a generating capacity of 54,000 K.W. and a maximum recorded load of 19,600 K.W.

The undertaking was taken over by the Japanese forces in 1941, who in course of time found that the plant could not be used with wood fuel and as coal was not available they dismantled some of the machinery and boilers and shipped or moved them elsewhere. The new Taikoo Dockyard feeder was lifted and relaid as a cross harbour cable in order to utilize the plant of the China Light and Power Company, Limited, which had been adapted for wood fuel. Much damage was done also to the distribution system; the important ring main system was broken and tampered with in order to give preferential treatment in supply, cables to consumers were cut, ends left exposed and many parts of the cable system removed completely.

After the release of the staff from internment in 1945 the engineers were not only faced with this gross neglect, but also with damage which had resulted from air attacks, and from looting which took place on a serious scale in 1945. Approximately 19,000 K.W. of plant was however still available, but in very poor condition, 20,000 K.W. was so badly damaged mechanically that some eighteen months elapsed before spares could be brought from home. The remaining 15,000 K.W. of plant was either so badly damaged as to be unusable or had been removed from the Colony. The boilers on site were also in a shocking condition. Two incidentally had been completely removed, two others seriously maltreated in an attempt to convert them to wood fuel and all were clogged and blocked with ash, sawdust and wood-bark, and the boilers and pipes badly corroded and pitted due to salt water being used.

The work of rehabilitation was exceptionally difficult and complicated owing to the entire absence of tools. However, with the assistance of H.M. Repair Ship "Resource", and after removing 87 junk loads of rubbish piled in front of the machinery, the Station commenced to operate on a limited scale on 4th October, 1945.

In November 1945 a Consulting Engineer nominated by the British Government and appointed to the Hongkong Planning Unit was sent to Hongkong to report on the plant. After a thorough examination he reported that with the plant then available a load of 10,000 K.W. was safe with an increase to 12,500 K.W. after recommissioning No. 8 set of 15,000 K.W. capacity. The Company felt that such a restriction would result in chaos and despite all the known risks as great a load as possible was allowed.

During the period of reconstruction which followed difficulties were experienced in obtaining spares and equipment from suppliers in the United Kingdom, and such difficulties continue even now. For example No. 15 Boiler ordered in October 1946 was promised for delivery in December 1947 but was not on load until August 1950, No. 16 Boiler ordered August 1948 for February 1951 was not on load until July 1952, No. 17 Boiler ordered June 1950 for December 1952 is not yet on load.

Orders for Turbines have also been considerably delayed. No. 9 Turbine ordered in April 1946 for September 1947 was not on load until October 1949, whilst No. 10 set ordered in October 1947 was not on load until December 1951. No. 11 set ordered in November 1950 and promised for June 1952 is not yet delivered.

When No. 11 set, No. 17 Boiler and No. 18 Boiler (ordered in June 1950 and promised for December 1953) are in commission and the present plant, now so overworked, has been fully overhauled, the generating capacity of the undertaking will be capable of meeting all expected demands for some years, but future expansion is being carefully kept in view, particularly extensions to the Distribution System.

The load on the system is now approximately three times that prevailing in 1941, reflecting the considerable

postwar developments which have taken place in the Colony.

Although the undertaking only supplies electricity to the Island of Hongkong it covers every type of consumer from the domestic consumer, upwards through the commercial and small industrial loads to the large bulk supply consumers such as The Hongkong Tramway Company Limited, The Taikoo Dockyard & Engineering Company of Hongkong Limited, The Dairy Farm Company and many other large industrial users.

The Company has had as its Agents Messrs. Gibb Livingston & Company Limited since the inception of the company. These Agents were in fact largely responsible for the founding of the Company. The names of "Gibb" and "Livingston" can be found on the first list of Justices of Peace of the Colony and the firm are proud possessors of a receipt signed by Capt. Charles Elliott R.N., the first Administrator of the Colony (1841).

The Board of Directors consists of J. D. Alexander, Esq. (Chairman), The Hon. Sir Shouson Chow, Kt. LL.D., J.P., The Hon. T. N. Chau, C.B.E., J.P., W. A. Stewart, Esq., J.P., The Hon. John Keswick, C.M.G., J.P. and J. H. Hamm, Esq., J.P. The General Manager is Mr. W. Stoker, F. Comm. A, and the Technical Manager Mr. E. Thompson, Associate I.E.E., M.A.I.E.E.

Throughout its history the Company has always sought to give its staff and workmen good conditions under which to work. Staff quarters were provided as long ago as 1892, and since the war a scheme has been approved to house the majority of the Company's workers in flats of modern design.

The workmen and their families receive free medical attention, and a clinic is available at the Power Station. Annual contributions are made by the Company towards the cost of running schools for their children, and recently in conjunction with another Public Utility Company the Company contributed the capital cost of building a new school.

The Company employs in all 862 employees made up of 43 British, 145 Local Staff, 1 British Apprentice and 673 workmen.

CHINA PROVIDENT BUILDING PROGRAMME

The construction of several new modern godowns by China Provident advanced another step last month with the completion and handing over of their multi-storey Godown No. 19.

This godown is of six floors, all served by the latest elevating machinery and internal chutes, which obviate unnecessary manual handling of merchandise and ensure fast working. All floors of the godown are fitted with the "Colt" system of ventilation embodying inflow and outflow units which give a complete air change per floor of eight times per hour. Each unit is fitted with variable air projectors, so that a constant circulation of air is maintained in all parts of the godown in addition to the new air projected.

During typhoons and extreme humidity, re-circulation dampers are brought into use, thus obviating excess moisture being circulated within the godown.

Incorporated in No. 19 Godown is also a Cold Store of 60,000 c.ft. capacity, sub-divided into compartments suitable for the storage of various commodities at different temperatures.

Refrigeration machinery is by Frick and of the latest design. Freon is employed as the refrigerant rather than ammonia.

Compressors and condensers have been duplicated throughout in order to bring room temperatures down rapidly, and have ample reserve power to maintain temperature in case of minor breakdowns.

The proximity of this Cold Store to the markets in the Western District, coupled with the fact that it is on the waterfront, fulfil a much-needed want in this locality.

The construction of Godowns Nos. 7 & 8 and No. 14 is now well advanced and these should be handed over to China Provident about 30th October this year. The "Colt" system of ventilation will also be installed in these godowns.

At North Point Wharves Ltd. the piling is almost completed for two new two-storey Transit Godowns on the western berth with a capacity of 20,000 tons, and the new Cold Storage depot is now constructed to second floor level.

FINANCE & COMMERCE

IMPORTS INTO USA OF HONGKONG MANUFACTURES

It is announced by the HK Dept. of Commerce & Industry under date of Oct. 1 that further agreement has been reached with the United States authorities regarding the procedure for importing locally produced, manufactured or processed commodities into the United States.

In addition to the commodities enumerated in the press announcements of January 10, 1953, April 24, 1953, June 20, 1953 and August 15, 1953, Hongkong Government Comprehensive Certificates of Origin can now be issued for the following items: linen embroidered goods, silk and rayon folding waste paper baskets, embroidered footwear, embroidered religious vestments made at the Convent of the Maryknoll Sisters, and slab and white rock sugar.

This makes a total of 28 groups of locally produced, manufactured or processed commodities which can now be exported to the United States under the agreement with the United States authorities. Discussions are continuing on other commodities.

The release of linen embroidered goods, a major item amongst Hongkong exports to the United States, is an important step, and the Acting Director of Commerce and Industry is appreciative of the co-operation shown by the United States authorities during the difficult and protracted negotiations in this respect.

MACAO'S FOREIGN TRADE IN 1952

Macao's foreign trade in 1952 showed an amount of Patacas 290 million (about US$61 million), a drop of nearly 45% compared with the total value for 1951 of P.526 m. ($110 m.). Imports amounted to P.191 m. ($40 m.) against P.344 m. ($72 m.) for 1951, a drop of 44.4%, and exports to P.99 m. ($21 m.) against P.182 m. ($38 m.), a fall of 45.6%.

A reason given for the fall in Macao's trade is the barter system introduced into dealings between Macao and the mainland, which has undoubtedly affected the trade figures for 1952. Also affecting imports were the regulations imposed in January 1952 by the Macao authorities requiring a 20% deposit on import licences and a 5% ad valorem tax on goods imported under such licences.

HONGKONG COMPANY INCORPORATIONS

The following new private companies were incorporated in Hongkong during the week ended September 26, 1953:—

Loyal Trading Syndicate Limited—Silk mercers, cotton spinners, cloth manufacturers, etc.; Nominal Capital, HK$1,000,000; Subscribers: Chee Sang Woo, 1 Derby Road, Kowloon Tong, Kowloon, Merchant; Wong Fee Ying, 1 Derby Road, Kowloon Tong, Kowloon, Married Woman.

Overseas Publications Distribution Company Limited: Proprietors, publishers and printers of newspapers, journals, magazines, books, etc.; Nominal Capital, HK$200,000; Registered Office, No. 10 Queen's Road Central, 2nd floor, Victoria, Hongkong; Subscribers: Ting Win, 26 Kimberley Street, 3rd floor, Kowloon, Merchant; Chang Kun Yee, 26 Kimberley Street, 3rd floor, Kowloon, Merchant.

Hip Hing Hong Company, Limited: Merchants, exporters and importers, refrigerators, etc.; Nominal Capital, HK$1,000,000; Registered Office, No. 34 Ko Shing Street, Victoria, Hongkong; Subscribers: Lee Hung Tong, 75 Wongneichong Road, 2nd floor, Hongkong, Merchant; Lee Fook Leung, 29 Haven Street, Hongkong, Merchant.

FATS, OILS, AND OILSEEDS

Recent Prices

Prices of most oils and oilseeds in international markets rose in February and there was a general advance in early March.

1. Soft Oils: In the United States, the price of soybean oil in mid-March had almost reached as high a level as could be expected relative to the price of cottonseed oil. Last fall, the price of soybean oil was considerably below its average relationship to cottonseed oil. The mid-March price of cottonseed oil, in turn, was only slightly lower than the announced minimum price at which the Government will sell cottonseed oil to domestic users. Government stocks of cottonseed oil, acquired under price-support programs for cottonseed, totaled more than 350,000 metric tons in early March. Cottonseed oil from Government stocks probably will be needed to meet the U.S. demand for soft oils before the new marketing year begins next August. Quotations for U.S. cottonseed and soybean oils in international markets in mid-March were higher than for the same oils from other origins.

The suspension in January of licences to export olive oil in drums from Spain was still effective in mid-March. Although the 1951/52 Spanish olive crop reached a new record level and exports of olive oil in 1952 were relatively small, the Government does not consider that the stocks carried over to the present season were excessive. Production of olive oil in 1952/53, at 250,000-270,000 metric tons (edible grades), is materially below domestic requirements for the year. Olive oil production in Tunisia this year, which was earlier expected to total over 50,000 metric tons (including inedible grades), is now estimated to be about 37,000 tons. Production in 1951/52 was 45,000 tons. The production of olive oil has fallen substantially this year in all the other exporting countries, with the exception of Turkey. Thus, contrary to earlier expectations, prospects in mid-March were for little if any increase in 1953 in world trade in olive oil over the low 1952 level.

2. Hard Oils: Prices of copra and coconut oil, which have been rising since mid-1952, maintained their trend throughout the first quarter of 1953. World exports in 1952 of coconut oil and copra in terms of oil were about 190,000 metric tons below the previous year, a decline of 15 percent. Exports from Indonesia dropped sharply in the last two quarters of 1952, and totaled less than half the quantity shipped in the corresponding period of the previous year. Exports in January-February 1953, at 18,000 tons oil equivalent, were only 60 percent as large as a year earlier. Copra and coconut oil exports from the Philippines also showed some decline in the last six months of 1952, and were about 15 percent less, in terms of oil, than exports for June-December 1951; 23,000 tons, oil equivalent, were exported in January 1953, the smallest monthly shipment for three years and about one-half the volume exported in January 1952.

3. Drying Oils: After falling for over six months, prices of linseed showed little change from mid-February to mid-March, with Canadian prices advancing slightly. The official estimate in late February of the 1952/53 Argentine crop was 570,000 metric tons, which is substantially below estimates made earlier in the season. Also, Uruguayan production was reported in late February to have been considerably reduced by heavy rains at harvest time. The February estimate of the crop was 80,000 tons.

International Trade in 1952

Early statistics for 1952 from countries accounting for about two-thirds of world trade in fats, oils and oilseeds in terms of oil indicate that total trade in these commodities totaled 10 to 15 percent less in 1952 than in 1951 (see Table 2). Exports from ten major exporters were about 13 percent smaller than in 1951, and imports into ten major importers were about 12 percent smaller—

Table 1.—Prices of Specified Fats, Oils, and Oilseeds, March 1953, with Comparative Data

Item	Currency in which originally quoted	June 1950°	March 1952	1953		
				January	February	March§
		U.S. dollars per metric ton				
Olive oil, imported, edible, drums, N.Y.	US$	*589	*632	*703	*758	*758
Olive, oil, N. African, 1%, drums, f.o.b.	£ st.	496	682	724	784	784
Groundnut oil, Indian, bulk	£ st.	†397	349	356	375	399
Soybean oil, American, crude, bulk	US$	310	*260	*302	*302	*332
Lard, refined, 37-lb. tins, N.Y.	US$	* °°310	*293	*234	*227	*258
Coconut oil, Straits, 3 or 3½%, bulk	£ st.	322	††227	323	327	348
Palm oil, Belgian Congo, bulk	B.fr.	260	204	214	212	217
Tallow, fancy, bulk, N.Y.	US$	* °°133	*133	*116	*108	*123
Linseed oil, Belgian, bulk, f.o.b.	B.fr.	†337	432	276	278	273
Castor oil, Bombay firsts, drums	£ st.	315	507	457	446	448
Linseed, No. 1, Canadian, 2½%, bulk	£ st.	160	205	160	156	158
Copra, Straits	£ st.	227	177	240	241	256
Copra, Philippines, bulk	US$	190	141	230	225	251

NOTE: Compiled from The Public Ledger (London) and The Fats and Oils Situation, U.S. Department of Agriculture. Prices are international market prices, c.i.f. or c. and f. European ports, except as otherwise noted. Prices are converted to U.S. dollars at official rates of exchange.

°The last month before prices were affected by the Korean crisis.

§Average for first three Wednesdays.

*F.o.b. American port.

†Drums.

°°Estimated from Chicago quotations.

††Ceylon, bulk.

Table 2.—Fats, Oils, and Oilseeds in Terms of Oil - Quarterly Exports and Imports of Principal Trading Countries, 1951 and 1952

Country	1951 January-March	April-June	July-September	October-December	Total Year	1952 January-March	April-June	July-September	October-December°	Total Year
	Thousand metric tons									
Exporting Countries:	EXPORTS§									
Philippines	126	131	161	147	565	122	110	139	127	498
Indonesia	69	119	133	123	444	84	102	82	81	349
Ceylon and Malaya	53	52	62	51	218	49	55	56	53	212
India	91	25	13	17	146	18	48	—	—	—
Nigeria	85	114	124	73	396	75	129	142	144	490
Belgian Congo	46	56	50	58	210	61	45	54	45	205
French West Africa	41	48	30	13	132	44	57	27	—	—
Argentina*	96	98	57	53	304	35	1	2	3	40
U.S.A.	224	302	277	289	1,092	333	226	194	259	1,012
Total	831	945	907	824	3,507	820	774	†(709)	†(742)	†(3,044)
Importing Countries:	IMPORTS°°									
United Kingdom	340	416	408	386	1,550	389	408	282	333	1,412
Western Germany	190	129	206	163	688	173	120	180	267	740
Other W. Europe (7 countries)††	321	325	229	232	1,107	205	209	190	**194	**798
U.S.A.	178	130	96	131	534	115	95	103	117	430
Total	1,029	1,000	939	912	3,879	882	832	755	911	3,380

NOTE: Compiled from official and unofficial sources.

°For some countries, apparently includes some quantities shipped earlier in the year.

§Figures shown for countries other than the United States are export balances (exports minus imports).

*Linseed and linseed oil only.

†Total of exports from India in July-Deecmber and from French West Africa in October-December were the same in 1952 and 1951.

°°Figures shown for the European countries are import balances (imports minus exports).

††Belgium, Denmark, France, Italy, Netherlands, Sweden, Switzerland.

**December estimated for some of the countries.

the United States, because of its importance, being counted both as an exporter and as an importer. Principal reductions in exports in 1952 were in Philippine and Indonesian copra (together accounting for over one-third of the total decrease), Argentine linseed and linseed oil, and U.S. soybeans and oil. These reductions were partly offset by increases in exports of Nigerian groundnuts and palm oil, Indonesian palm oil, and U.S. tallow. Imports into the United States, the United Kingdom, and most of the other Western European countries declined substantially. Imports into Western Germany, however, increased.

The data in Table 2 suggest that there was a continuous decline in the world fat trade from spring 1951 to summer 1952. The decline ceased in October-December 1952 with larger imports into Western Germany and the United Kingdom. Imports into Western Germany rose to 267,000 metric tons oil equivalent, by far the largest figure for any of the eight quarters of 1951 and 1952. The increase over July-September was distributed over many items from various sources. Outstanding examples were U.S. soybean oil, palm oil from Indonesia, and whale oil from Norway. The principal increases in United Kingdom imports were in butter from New Zealand, Nigerian groundnuts and palm kernels, and copra from Oceania.

The increase shown in Table 2 in total imports in October-December 1952 is considerably larger than the increase in total exports. This difference reflects the increased imports from countries not included in the table: for example, copra from Oceania, butter from New Zealand and whale and fish oils from Norway.

Crop Notes

Indications for U.S. oil crops: On the basis of farmers' planting intentions at the first of March, the U.S. Department of Agriculture estimates that the area planted in soybeans this year will be slightly larger than last year's figure, which was the highest on record. While no official indications are yet available of the area to be planted in cotton, the provisional outlook in March was for another large production of edible vegetable oils in the United States in the 1953/54 crop marketing year.

Farmers' intentions also indicated a 20 percent increase in the flaxseed area this year. This would restore the area approximately to the 1942-51 average and, provided growing conditions are not unusually unfavorable, would produce a crop fully sufficient to meet the average annual U.S. requirements for linseed oil.

Antarctic Whaling: The 1952/53 Antarctic pelagic whaling season ended on March 16, having lasted 74 days against 64 days in the previous season. It is believed that the full quota of 16,000 blue whale units were caught before the season ended. Incomplete returns indicate, however, that production of whale oil was well below average. Antarctic production totaled 348,000 metric tons last season, and averaged 322,000 tons from 1947/48 to 1951/52. This was about 80 percent of world production excluding sperm oil. Norwegian expeditions, which since the war have accounted for about one-half of the total Antarctic catch, produced only 103,000 metric tons (608,684 barrels) this season up to February 28 compared with 152,000 tons in the same period last season. The number of blue whale units caught by all expeditions up to March 1 amounted to 12,602, against 15,310 up to same date in 1951.

SILK IN JAPAN

In Japan, which, in the late 1930's, accounted for about three-quarters of world production, the contraction was particularly severe reflecting, as in other silk producing countries, the need to increase food production. In 1947 the mulberry area in Japan was only 30 percent of prewar and the number of reeling basins only 20 percent; yields also were relatively low. The following five years saw a considerable expansion in Japanese output, largely as a result of increased productivity. Even in 1952, however, world production of raw silk was less than half the prewar volume.

World Raw Silk Situation: Indices

Period	Production	International Trade	Industrial Consumption	Prices (New York)
Prewar	100	100	100	100
1948	35	19	41	276
1949	37	11	39	182
1950	35	19	41	212
1951	38	14	45	292
1952	43	14	53	312

The loss to synthetic fibers of a major prewar outlet in women's hosiery has narrowed the market for silk. In

the United States, which in prewar years accounted for about half of the world raw silk market, 80 percent of consumption was attributable to women's hosiery. The total loss of this outlet and continuing similar losses in the United Kingdom and other West European countries, where nylon production is expanding, explains why the volume of silk entering world trade has declined relatively more than production.

Notwithstanding the narrower market, increasing tightness has characterized the silk situation over the past five years. Cocoon and raw silk stocks have declined year by year while prices, after adjustment in 1948, have mounted steadily. Expansion in Japanese production failed, until 1950, to offset the sharp curtailment of Italian output in effect from 1948 onwards. On the other hand, consumption, while showing no very definite trend, has responded to the successive stimuli given by the Korean conflict and the abandonment of textile rationing in the Japanese domestic market in 1951. The pressure on Japanese supply resulted in a rapid advance in prices which eventually eliminated the margin by which Japanese silk undersold Italian. In the second half of 1952, this advance was halted at the Japanese official maximum; in the international market, however, prices continued to rise.

Looking ahead, food production priorities may very well continue to limit the farm resources available to sericulture, although there may be expanded mulberry plantings on land less suited to food growing. While this and some increase in the area maturing from earlier plantings may take place, recent evidence suggests that increasing productivity both in sericulture and silk reeling holds the greatest promise for the fulfilment of Japan's plans for a substantially larger raw silk production.

Japan: Planned Production of Silk

Items	1951	1952	1953	1954	1955
	Thousand hectares				
Mulberry Area					
Plan	188	201	220	235	248
Actual	181	—	—	—	—
	Thousand metric tons				
Cocoon Production					
Plan	89.7	97.2	104.7	114.5	125.8
Actual	93.4	103.2	—	—	—
	Thousand bales				
Raw Silk Production					
Plan	216	235	254	278	305
Actual	233	—	—	—	—

In connection with the future of silk consumption, it is noteworthy that plans have been laid for large-scale increases in the output of synthetic fibers in the United States, the United Kingdom and elsewhere. In hosiery and more utilitarian fields, major losses have already been sustained and further smaller losses are possible. On the other hand, silk has shown resistance to encroachment in the more elaborate products offering scope for style. As incomes rise, a gradually increasing market for silk seems likely to emerge in such products. On the basis of reasonably stable raw silk prices at economic levels, manufacturers will be able to give fullest attention to the exploitation of such markets.

The year 1952 saw the promulgation of price stabilization measures in Japan in the form of a buffer stock arrangement, the Government undertaking to sell raw silk at an annually fixed ceiling price and to buy at a floor price 30 percent below the ceiling. The level at which the ceiling is set takes into account costs of production, prices of other fibers and commodity prices generally. The fact that the Government held no initial stock of silk, however, rendered the arrangement inoperable in the prevailing conditions of shortage. Prospects for effective stabilization are now better in view of the progress which is being made in the realization of Japan's raw silk production plans.

(Continued from page 461)

institutions for industrial funds that owned capital in 1951 accounted for 25.9 percent and borrowed funds for 74.1 percent. Of these borrowed funds, loans from financial institutions represent 62.8 percent. Naturally it becomes necessary for enterprises to seek to accumulate capital with the result that increase in bank deposits would be desired first of all. A look into the rate of deposits against national earnings reveals that it has increased from the postwar 30 percent to 41.7 percent at the end of 1952. The 1952 figure nevertheless was far below the pre-war (1934) rate of 100 percent.

JAPAN'S TRADE WITH MAINLAND CHINA

Following the release by the Japanese Government on Sept. 16 of 11 items from the list of prohibited exports to Communist China, as from Sept. 29 further permission has been given with the approval of the U.S. Government for the export of six more items. These include motor scooters and midget vehicles with accommodation capacity of up to six persons, three-wheeled trucks with a load capacity of less than three tons, insulating rubber tape and rubber hoses of various types.

The list of items for which permission has been given now includes manila rope for stevedoring, grinding wheels except those made of diamond silicon, carbide or natural coundum and other similar materials, air-conditioning and freezing equipment, air and gas cleaning equipment, bricks and other ceramic products, manufacturing equipment, including high speed concrete block, manufacturing machines, intermediate coal tar products excluding alpha, nitrophenol and nitropioric acid, castor oil for medical use, sensitised paper and other photo supplies, and guitar strings.

Three further items put forward, for which approval has not been granted, are steel tubes & joints, galvanised steel plates and X-ray equipment.

Published and edited by **ERIC E. HALPERN** for and on behalf of The Far Eastern Economic Review Ltd., at 322, Queen's Building, Victoria, Hongkong.—Telephone: 32429. Cables: Ficom.

The Far Eastern Economic Review is published weekly and printed in Hongkong by the Graphic Press Ltd., 4, Queen's Road, C., Tel. 36731.

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